CENTRIC HEALTH
CORPORATION
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Management's Discussion and Analysis

For the Three Months ended March 31, 2010

Management's Discussion and Analysis

For the three months ended March 31, 2010

The following is a discussion of the consolidated financial position and the results of operations of Centric Health Corporation, ("Centric" or "Company") for the quarter ended March 31, 2010 and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. The MD&A should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto for the three months ended March 31, 2010 "Unaudited Interim Financial Statements" and the Audited consolidated financial statements for the years ended December 31, 2009 and 2008 "Audited Consolidated Financial Statements". The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The following MD&A is presented as of May 10, 2010. All amounts are disclosed in thousands of Canadian dollars. Additional information about the Company, including the Annual Information Form, is available on Sedar.com.

Forward-Looking Statements

Certain statements in this MD&A constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made under the headings "*Business Outlook*" and "*Risks and Uncertainties*" and other statements concerning the Company's 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.

Highlights for the Quarter ended March 31, 2010

- Net income grew to $1 million, as compared to $0.3 million in the first quarter of 2009.
- EBITDA[1] increased by $1.3 million to $1.9 million, as compared to $0.6 million in the first quarter of 2009.
- Basic earnings per share increased 78%, to $0.016 from $0.009 in the first quarter of 2009.
- The Company maintained a strong balance sheet with $1 million of cash on hand at March 31, 2010.

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

Business Outlook

The integration of Active Health has progressed well since June of last year and this business continues to outperform expectations. The Company expects to continue to build upon the strong results from the first quarter of 2010, as it executes on its business plan of diversifying income streams within the healthcare industry. The Company continues to focus on opportunities in new healthcare sectors with the objective being to partner with healthcare professionals to ensure quality outcomes and increase stakeholder value.

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 and retirement home residents. Centric is pursuing a diversified approach and an 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.

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 employs 72 staff and approximately 300 independent third party consultants including physicians from across a number of specialty practice areas, psychologists, occupational health nurses, physiotherapists, occupational therapists, cognitive behavioral 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 260 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 ("MOHLTC").

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.

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 physician's offices. DMSU retains full-time, part-time and casual nursing and administrative staff of 21 people.

Selected Financial Information

The following selected financial information for the three months ended March 31, 2010, and 2009, has been derived from the unaudited interim consolidated financial statements and should be read in conjunction with those financial statements and related notes.

	Three months ended March 31, 2010	2009
Revenue	$ 13,775	$ 4,269
Expenses:		
Direct costs	10,133	2,265
General and administrative expenses	1,721	1,392
Stock-based compensation	109	25
Amortization	94	47
	12,057	3,729
Income before interest expense	1,718	540
Interest expense	213	-
Income before income taxes	1,505	540
Income taxes	503	201
Net income for the period	$ 1,002	$ 339
Earnings per share – basic	$ 0.016	$ 0.009
- diluted	$ 0.013	$ 0.009
Total assets	$ 33,273	$ 9,170
Long-term loan (excluding current portion)	$ 6,591	$ -

Reconciliation of Non-GAAP Measures

EBITDA

The Company defines EBITDA as earnings before interest expense, income taxes, and amortization and excludes stock-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.

	Three months ended March 31,	
	2010	2009
Net income	$ 1,002	$ 339
Amortization	94	47
Interest expense	213	-
Stock-based compensation	109	25
Income taxes	503	201
EBITDA	$ 1,921	$ 612

Results of Operations (all amounts in thousands of Canadian dollars)

Revenues

Revenue for the three months ended March 31, 2010 increased by $9,506 to $13,775 over the comparable quarter last year, driven primarily by the acquisition of Active Health which generated revenue of $8,481 for the quarter. Revenue for the disability management division increased by $1,025 for the quarter, due to a higher number of assessments, resulting from successful marketing efforts to three major insurance companies. Revenue for DMSU was flat compared to the prior period.

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 three months ended March 31, 2010 were $10,133, which was an increase of $7,868 over the comparable quarter last year. Active Health accounted for $6,808 of this increase, and the remainder of the increase was primarily attributable to increases in the costs associated with the disability management group and the higher revenue that it achieved during the quarter.

General and administrative expenses for the three months ended March 31, 2010 were $1,721 which was $329 higher than the comparable period in the prior year. This increase was driven by higher general and administrative expenses associated with the Active Health business and increase in the contractual fees of $162 relating to services performed by Global Healthcare Investments and Solutions, Inc. ("GHIS"), as explained in Note 7 to the unaudited interim consolidated financial statements.

Amortization was higher by $47 during three month period ended March 31, 2010 due to the amortization of the assets acquired in the Active Health acquisition in May 2009.

Interest expense for the quarter, relates to the long-term loan that was arranged at the end of May 2009, for the purchase of the Active Health and includes $73 of amortization of loan arrangement costs.

Income Taxes

Income tax expense is calculated at the statutory rate of 31% 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 33.4%.

Future income tax liabilities recognized on the consolidated balance sheet reflect tax on temporary differences expected to reverse in 2011 and beyond.

Liquidity and Capital Resources (all amounts in thousands of Canadian dollars)

The main working capital requirement relates to the financing of accounts receivable which are primarily from the MOHLTC, other government agencies, employers and insurance companies. Such receivables totaled $9,912 at March 31, 2010. 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 $4,000 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.

Management believes that the cash generated by existing business will be sufficient in the short to medium term for existing general corporate expenditures and working capital purposes including the repayment of the current portion of its long-term loan amounting to $2,200. 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 March 31, 2010, the Company had total cash on hand of $1,049, a decrease of $147 during the quarter (2009 decrease of $436).

Operating Activities

For the three months ended March 31, 2010, cash provided by operating activities was $712 compared to $192 used by operating activities for fiscal 2009. As discussed in the above sections, operating results were stronger due primarily to the acquisition of the Active Health business that was acquired in the second quarter of last year and is therefore not in the results of the prior year. Non-cash working capital in total was comparable to the same quarter of the prior year; however, components within working capital changed significantly. Receivables increased by $1,480 reflecting the higher sales in the quarter and reflects an increase in the days sales outstanding ratio to 58 days for the first quarter of 2010 compared to 54 days in the last quarter of 2009. Accounts payable and accrued liabilities increased by $708 for the three months ended March 31, 2010 which reflects the increase in independent health care consultants used to provide services that generated the higher revenues for the quarter.

Investing Activities

In 2009, the Company signed a letter of intent with PrevCan Inc. ("Intervent") agreeing to acquire 50% of the fully diluted shares in Intervent for cash consideration of $2,000. Further to this letter of intent, the Company is renegotiating the terms and conditions of this investment. During the quarter ended March 31, 2010, the Company loaned $200 to Intervent. The loan bears interest at 6% per annum and repayment terms are on demand.

The purchase of software, property and equipment used in the business during the quarter ended March 31, 2010 amounted to $126, which was in-line with management's expectations.

Financing Activities

During 2009, 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 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. Since inception of the loan, the Company has made principal repayments of $1,650 of which $550 was paid in the current quarter. 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 March 31, 2010, the Company was in compliance with all of the covenants on its long-term and operating loan facilities.

Equity

Share Capital

During the quarter, option holders exercised 100,000 options to purchase a similar number of shares for a weighted average exercise price per share of $0.21, for total proceeds of $21.

As at March 31, 2010, the Company had total shares outstanding of 61,115,095 compared to 31,581,762 at March 31, 2009. There were also 20,500,000 warrants outstanding as at March 31, 2010 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, May 10, 2010, 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 March 31, 2010, there were a total of 4,975,000 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 March 31, 2010 was 1,493,750 with a weighted average exercise price of $0.26.

Summary of Quarterly Results

Selected financial information for each of the last nine quarters ended March 31, 2010 is as follows:

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal year 2010				
Revenue and other income				$ 13,775
Net income				$ 1,002
Income per share – basic				$ 0.016
– diluted				$ 0.013
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

Contractual Commitments

For the three months ended March 31, 2010, there have been no significant changes in the Company's contractual obligations. For a summary of the Company's contractual obligations, see page 9 of the MD&A for the year ended December 31, 2009.

Off-Balance Sheet Arrangements

As at March 31, 2010, the Company has no off-balance sheet arrangements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer (collectively the "Certifying Officers") have evaluated the design and effectiveness of the Company's disclosure controls and procedures as of March 31, 2010 and have concluded that such disclosure controls and procedures were effective. In addition, the Certifying Officers are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company used the COSO control framework. For the quarter ended March 31, 2010, the Certifying Officers have concluded that the design of the Company's internal controls over financial reporting and procedures were effective as at March 31, 2010.

Transactions with Related Parties

The Company's related party transactions in 2010 and 2009 are as follows:

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

	2010	2009
General and administrative expenses:		
Brenras	$ -	$ 90
GHIS	$ 207	$ 45
Interest paid to GHIS	$ -	$ 13

Included in accounts payable and accrued liabilities at March 31, 2010 and 2009, are $382 and $254, respectively, due to GHIS.

Brenras Holdings Inc. ("Brenras") is wholly-owned by a significant shareholder and former director of the Company. Brenras provided management services to the Company in 2009.

GHIS and entities controlled by the shareholders of GHIS own approximately 53% of the issued and outstanding common shares of the Company as at March 31, 2010. GHIS provided strategic and business development consulting services to the Company for the quarter ended March 31, 2010. 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 in the period ended March 31, 2010 amounted to $123 (2009 – Nil) and is included in accounts payable and accrued liabilities.

GHIS Capital is related to GHIS by virtue of common control. Concurrent with the closing of the acquisition of the acquired businesses referred to in Note 3, to the 2009 Audited Consolidated 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 March 31, 2010 or December 31, 2009.

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 Company's management is progressing through its conversion plan and is documenting and quantifying the differences between GAAP and IFRS. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS.

The Company has established and followed 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:

- Identification and documentation of differences between GAAP and IFRS;
- Impact analysis, in particular, changes required to existing accounting policies, information systems and internal controls;
- Design of business, reporting, and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at January 1, 2010, fiscal 2010 and thereafter; and,
- Regular reporting to the Audit Committee.

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

Management has identified and documented the differences between IFRS and GAAP and policy choices for most of its relevant financial statement areas using component evaluations. Management has started quantifying the differences and assessing the impact on the consolidated financial statements.

Management has identified the following differences that will impact its opening balance sheet or operations under IFRS:

IFRS 1- First-time Adoption of IFRS

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

IFRS 2 – Share-based Payments

The Company records expense based on the fair value of stock options issued. Under GAAP, the Company amortized this expense using a straight-line method over the life of the options. IFRS 2 allows only the graded vesting method to amortize the expense of share-based payments. This change in policy will recognize the expense associated with stock options over the vesting period, accounting for historical forfeiture rates and the number of awards vested in each period. The impact on operations is that the expense associated with share-based payments is recognized on an accelerated schedule in comparison with a straight-line amortization of the expense.

IFRS 3 - Business Combinations

Management has identified that treatment of business combinations under IFRS may result in an impact on its results of operations when compared to its current policies under GAAP. Costs attributed to an acquisition transaction are expensed in the period incurred under IFRS whereas under GAAP, the Company has attributed those costs to goodwill.

In management's performance of other component evaluations, it has found that additional documentation for disclosure will be required for a number of financial statement areas. However, the measurement and recording of transactions will not be significantly impacted by the implementation of IFRS.

On an ongoing basis, management is monitoring the International Accounting Standard Board's activities, 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.

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

The Company operates businesses in an environment in which insurance regulation, policy and funding decisions play a key role. 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. On March 16, 2010, the Ontario Ministry of Health and Long-Term Care issued a bulletin entitled "Clarification regarding OHIP-insured physiotherapy services and claims submission" that contemplated changes to the geographic boundaries that could affect physiotherapy services provided to patients not living in long-term care homes. Since this date, much discussion has ensued with representatives of the physiotherapy association and the government ministry. The extent to changes in billing practices is unknown at this time as is the impact that these changes might have on the Company in the future.

Uncertainty of Liquidity and Capital Requirements

The future capital requirements of the Company will depend on many factors, including the number and size of acquisitions consummated, rate of growth of its client base, the costs of expanding into new markets, the growth of the market for healthcare services and the costs of administration. In order to meet such capital requirements, the

Company may consider additional public or private financing (including the incurrence of debt and the issuance of additional common shares) to fund all or a part of a particular venture, which could entail dilution of current investors' interest in the Company. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted. Further, due to regulatory impediments and lack of investor appetite, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares to finance acquisitions may be restricted.

Unpredictability and Volatility of Share Price

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

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

Significant Shareholders

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

Litigation

During the quarter ended March 31, 2010, the former CEO of the Company commenced a claim seeking compensation for termination of her employment and additional compensation amounts. The Company has initiated a defense against this claim and management believes that it has adequate reserves in its financial statements to provide for the settlement of this action.

Additional Information

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

Subsequent Event

In the period ended March 31, 2010, the Company entered into an agreement in principle to acquire a license and assets to operate a six-bed sleep lab for consideration of $250. The transaction was contingent on approval from the Ministry of Health and Long Term Care to transfer the license. Subsequent to the end of the quarter, the Company obtained this approval. The Company expects the transaction to close in the second quarter.

CENTRIC HEALTH

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Unaudited Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2010 and 2009

Management's Comments on Unaudited Interim Financial Statements

The accompanying unaudited interim financial statements of Centric Health Corporation for the three months ended March 31, 2010 and 2009 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company. The accompanying unaudited financial statements have not been reviewed by an auditor.

Centric Health Corporation
Consolidated Balance Sheets
(in thousands of Canadian dollars)

	March 31, 2010 (unaudited)	December 31, 2009
Assets		
Current Assets		
Cash	$ 1,049	$ 1,196
Accounts receivable	8,835	7,500
Accrued receivables	1,077	932
Loan receivable (note 4)	200	–
Prepaid expenses	220	161
	11,381	9,789
Property and equipment (note 9)	1,002	952
Goodwill (note 10)	14,213	14,213
Intangible assets (note 10)	6,609	6,627
Deferred acquisition costs	68	64
	$ 33,273	$ 31,645
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 7)	$ 6,746	$ 6,088
Income taxes payable	298	90
Future income taxes – current	19	19
Current portion of long-term loan (note 11)	2,200	2,200
	9,263	8,397
Long-term loan (note 11)	6,591	7,068
Future income tax liability	328	265
Deferred lease inducement	86	92
	7,005	7,425
Shareholders' Equity		
Share capital (note 12)	8,957	8,921
Warrants (note 12)	2,957	2,957
Contributed surplus (note 12)	1,260	1,166
Accumulated other comprehensive loss (note 13)	(71)	(121)
Retained earnings	3,902	2,900
	17,005	15,823
	$ 33,273	$ 31,645

Contingencies (note 16)

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

Centric Health Corporation
Consolidated Statements of Operations
(unaudited)
(in thousands of Canadian dollars, except per share amounts)

	Three Months Ended March 31, 2010	2009 (note 1)
Revenue	**$ 13,775**	$ 4,269
Expenses		
Direct costs	**10,133**	2,265
General and administrative expenses (note 7)	**1,721**	1,392
Stock-based compensation (note 12)	**109**	25
Amortization	**94**	47
	12,057	3,729
Income before interest expense	**1,718**	540
Interest expense (note 11)	**213**	–
Income before income taxes	**1,505**	540
Income taxes - current	**440**	201
Income taxes - future	**63**	–
	503	201
Net income for the period	**$ 1,002**	$ 339
Basic earnings per common share (note 12)	**$ 0.016**	$ 0.009
Diluted earnings per common share (note 12)	**$ 0.013**	$ 0.009
Weighted Average Number of Common Shares Outstanding (in thousands) (note 12)		
Basic	**61,078**	36,555
Diluted	**74,579**	36,981

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

Centric Health Corporation
Consolidated Statements of Comprehensive Income
(unaudited)
(in thousands of Canadian dollars)

	Three Months Ended March 31,	
	2010	2009
Net income for the period	**$ 1,002**	$ 339
Other comprehensive income for the period	**50**	–
Comprehensive income for the period	**$ 1,052**	$ 339

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

Centric Health Corporation

Consolidated Statements of Shareholders' Equity

(unaudited)
(in thousands of Canadian dollars)

	Share Capital						
	Number of Shares	Amount	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at December 31, 2008	**36,581,762**	**$ 3,928**	$ –	**$ 1,268**	$ –	**$ 1,260**	**$ 6,456**
Issued on acquisition of Active Health (note 5)	3,333,333	1,000	–	–	–	–	1,000
Private placement	20,500,000	3,753	–	–	–	–	3,753
Issuance of warrants	–	–	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	–	–	–	(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**
Options exercised	100,000	36	–	(15)	–	–	21
Deferred compensation expensed in the period (note 12)	–	–	–	109	–	–	109
Other comprehensive income (note 13)	–	–	–	–	50	–	50
Net income for the period	–	–	–	–	–	1,002	1,002
Balance at March 31, 2010	**61,115,095**	**$ 8,957**	**$ 2,957**	**$ 1,260**	**$ (71)**	**$ 3,902**	**$ 17,005**

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

Centric Health Corporation
Consolidated Statements of Cash Flows

(unaudited)
(in thousands of Canadian dollars)

	Three Months Ended March 31, 2010	2009
Cash provided by:		
Operating activities		
Net income for the period	**$ 1,002**	$ 339
Items not affecting cash:		
Amortization of property and equipment	**42**	47
Amortization of finite-lived intangible assets	**52**	–
Amortization of loan arrangement costs	**73**	–
Leasehold inducement	**(6)**	–
Future income taxes	**63**	–
Stock-based compensation	**109**	25
Changes in non-cash working capital items (note 8)	**(623)**	(603)
Cash provided by (used in) operating activities	**712**	(192)
Investing activities		
Loan advanced (note 4)	**(200)**	–
Increase in deferred acquisition costs	**(4)**	(200)
Purchase of intangible software	**(34)**	–
Purchase of property and equipment	**(92)**	(31)
Cash used in investing activities	**(330)**	(231)
Financing activities		
Repayment of long-term loan (note 11)	**(550)**	–
Issuance of common shares and warrants, net of issue costs (note 12)	**21**	–
Decrease in non-controlling interest	**–**	(13)
Cash used in financing activities	**(529)**	(13)
Decrease in cash	**(147)**	(436)
Cash, beginning of period	**1,196**	4,002
Cash, end of period	**$ 1,049**	$ 3,566

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

1. Business of the Company

Centric Health Corporation (the "Company") 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. The Company's principal business is providing healthcare services to its customers.

The results of operations presented in the 2009 comparative financial statements do not include operations for the Active Health business acquired on May 29, 2009 (see Note 5).

2. Basis of Presentation

These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements and accordingly do not include all disclosures required for annual financial statements. These interim consolidated financial statements follow the same significant accounting policies as the Company's audited annual consolidated financial statements for the year ended December 31, 2009 and accordingly, should be read in conjunction with those annual financial statements and the notes thereto. All amounts disclosed are in thousands of Canadian dollars, unless otherwise stated.

The accompanying unaudited interim consolidated financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation. The results of operations and cash flows for the current periods as presented are not necessarily indicative of the results to be expected for the full year.

3. Significant Accounting Policies

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.

3. Significant Accounting Policies - Continued

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.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. The accounting elements which require management to make subjective estimates and assumptions include revenue recognition, estimated useful lives of property and equipment, valuation of goodwill and intangible assets and valuation of options and warrants. Actual results could differ from those estimates.

Reclassifications

Certain 2009 amounts have been reclassified to conform to the current period's presentation.

New Accounting Policies

There have been no new accounting policies adopted in these unaudited interim financial statements. The volume of accounting pronouncements being introduced by the Canadian Institute of Chartered Accountants applicable to the Company has reduced significantly pending the transition to International Financial Reporting Standards ("IFRS").

Future Accounting Changes

There have been no additional future accounting changes from those reported in Note 2 to the 2009 audited Consolidated financial statements.

(in thousands of Canadian dollars)

4. Loan Receivable

In 2009, the Company signed a letter of intent with PrevCan Inc. ("Intervent") agreeing to acquire 50% of the fully diluted shares in Intervent for cash consideration of $2,000. Further to this letter of intent, the Company is renegotiating the terms and conditions of this investment. During the quarter ended March 31, 2010, the Company loaned $200 to Intervent. The loan bears interest at 6% per annum and repayment terms are on demand.

5. Acquisition

The Company did not complete any acquisitions in the period ended March 31, 2010.

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 Management").

The transaction was 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 the date of acquisition.

Purchase Price		
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
Software		1,500
Government billing privilege		4,105
Property and equipment		285
Goodwill		14,166
		25,385
Current liabilities		(3,416)
	$	21,969

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.

(in thousands of Canadian dollars)

6. 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, warrants and the stock option component of its shareholders' equity as well as its long-term loan and operating facility (see Note 11). 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 and warrants or the issuance of debt instruments such as operating or term loans.

The Company is not subject to any externally imposed capital requirements and has adequate capital on hand to meet future obligations.

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 three months ended March 31, 2010.

7. 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 to by the related parties.

A summary of the transactions with related parties for the three months ended March 31, 2010 and 2009 are as follows:

	Three Months Ended March 31,	
	2010	2009
General and administrative expenses:		
Brenras	**$ –**	$ 90
GHIS	**$ 207**	$ 45
	$ 207	$ 135
Interest incurred on the GHIS Capital debenture:	**$ –**	$ 13

Included in accounts payable and accrued liabilities at March 31, 2010 and December 31, 2009, are $382 and $254, respectively, due to Global Healthcare Investments & Solutions, Inc. ("GHIS").

(in thousands of Canadian dollars)

7. 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 March 31, 2010. GHIS provided strategic and business development consulting services to the Company. The existing consulting agreement with GHIS was amended in May, 2009. Under the terms of the consulting agreement which has an initial term of three years renewable annually thereafter, the monthly consulting fee is $20. In addition, a performance fee component whereby GHIS will be entitled to an annual 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 amount of $20,000. The performance fee payable in the period ended March 31, 2010, totalled $123.

GHIS Capital Inc. ("GHIS Capital") is related to GHIS by common control. GHIS was the holder of a convertible debenture issued by the Company in 2007. Concurrent with the closing of the acquisition of the Active Health Management business, 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.

Brenras Holdings Inc. ("Brenras") is wholly-owned by a significant shareholder and former director of the Company. Brenras provided management services to the Company in 2009.

8. Supplementary Disclosure of Cash Flow Information

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Accounts receivable	**$ (1,335)**	$ (57)
Accrued receivables	**(145)**	(354)
Prepaid expenses	**(59)**	(38)
Accounts payable and accrued liabilities	**708**	(110)
Income taxes payable	**208**	(44)
	$ (623)	$ (603)

(in thousands of Canadian dollars)

8. Supplementary Disclosure of Cash Flow Information - Continued

Included in accounts payable and accrued liabilities as at March 31, 2010 is $71 ($121 as at December 30, 2009) related to the fair value of the interest rate swap reflected in accumulated other comprehensive income ("AOCI") (see Note 13).

(b) Other supplementary cash flow information:

	Three Months Ended March 31, **2010**	2009
Income taxes paid	**$ 232**	$ 246
Interest paid	**$ 140**	$ 13

9. Property and Equipment

At March 31, 2010

	Cost	**Accumulated Amortization**	**Net Book Value**
Office furniture, fixtures and equipment	**$ 639**	**$ 484**	**$ 155**
Work simulation and facility equipment	**1,268**	**1,268**	**–**
Computer equipment and software	**1,184**	**827**	**357**
Medical equipment	**420**	**391**	**29**
Physiotherapy equipment	**317**	**41**	**276**
Leasehold improvements	**204**	**19**	**185**
	$ 4,032	**$ 3,030**	**$ 1,002**

At December 31, 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 improvement	186	9	177
	$ 3,942	$ 2,990	$ 952

(in thousands of Canadian dollars)

10. Intangible Assets and Goodwill

	March 31, 2010	December 31, 2009
Indefinite-life intangible assets:		
Hospital license	**$ 1,147**	$ 1,147
Government billing privilege	**4,105**	4,105
	5,252	5,252
Finite-life intangible asset:		
Software (net of amortization)	**1,357**	1,375
Total intangible assets	**6,609**	6,627
Goodwill	**14,213**	14,213
Total intangible assets and goodwill	**$ 20,822**	$ 20,840

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. The Company determined there was no impairment. The software is being amortized over its estimated useful life of seven years. As at March 31, 2010, accumulated amortization on software was $177 (December 31, 2009 - $125).

The intangible assets are the private hospital licence held by the Company's wholly-owned subsidiary, Don Mills Surgical Unit Limited, and the government billing privilege held by Active Health. These assets have indefinite useful lives.

(in thousands of Canadian dollars)

11. 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 Management 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 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 balance sheets over time. At March 31, 2010, the net long-term loan (including the current portion) is $8,791 (face value of $9,350 less $559 of unamortized loan arrangement costs).

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

	Three Months Ended March 31, 2010
Interest expense on long-term loan	$ 140
Amortization of loan arrangement costs	73
	$ 213

The Company is in compliance with the financial covenants of the long-term loan as at March 31, 2010.

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

As at March 31, 2010, 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. As at March 31, 2010, the fair value of the hedge was approximately $71 in favour of the counterparty.

Operating facility

The Company maintains a revolving operating credit facility to a maximum of $4,000 (December 31, 2009 - $4,000), 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 March 31, 2010 and December 31, 2009, the Company had not drawn on these credit facilities.

(in thousands of Canadian dollars)

12. Shareholders' Equity and Earnings per Share

Common shares

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

	Number of Shares	Amount
Issued and outstanding, December 31, 2009	61,015,095	$ 8,921
Issued upon exercise of options	100,000	36
Issued and outstanding, March 31, 2010	61,115,095	$ 8,957

During the three months ended March 31, 2010, 100,000 shares were issued upon exercise of options at a weighted average price of $0.21.

Issuance of common shares and warrants

On May 29, 2009, the Company issued a private placement of 20,500,000 common shares and an equal number of warrants to GHIS for a total consideration of $6,765. Each warrant entitles the holder to acquire one common share for a period of 5 years from this date, at a price of $0.33 per share. The warrants have been fair valued at $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
Share price at date of issue	$0.260
Fair value of warrant	$0.145

The GHIS warrants were the only warrants outstanding as at March 31, 2010.

(in thousands of Canadian dollars)

12. Shareholders' Equity and Earnings per Share - Continued

Issuance of stock options and deferred stock-based compensation

There were no options granted in the three months ended March 31, 2010.

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 25% per annum over a four-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 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.

Deferred stock-based compensation not yet charged to income is as follows:

	Amount
Deferred stock compensation, December 31, 2009	$ 1,752
Options granted in the period as deferred compensation	-
Expensed in the period	(109)
Deferred stock compensation, March 31, 2010	$ 1,643

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

Dividend yield	Nil
Expected volatility	119%
Risk-free interest rate	2.5%
Expected option term	5 years

(in thousands of Canadian dollars)

12. Shareholders' Equity and Earnings per Share - Continued

The outstanding and exercisable stock options are as follows:

	Number of Options	Weighted-Average Exercise Price
Outstanding as at December 31, 2008	3,050,000	$ 0.28
Granted during the year ended December 31, 2009	2,725,000	$ 0.83
Exercised during the year ended December 31, 2009	(600,000)	$ 0.26
Cancelled during the year ended December 31, 2009	(100,000)	$ 0.34
Outstanding as at December 31, 2009	5,075,000	$ 0.58
Exercised during the period ended March 31, 2010	100,000	$ 0.21
Outstanding as at March 31, 2010	**4,975,000**	**$ 0.58**
Exercisable at March 31, 2010	**1,493,750**	**$ 0.26**

Earnings per share

Earnings per share for the three months ended March 31, 2010 and 2009 have been calculated on the basis of net income for the period divided by the weighted average number of common shares outstanding during each period. Diluted earnings per share, for all periods presented, were calculated based on the weighted average number of common shares outstanding and stock options and warrants outstanding during the period. The weighted average calculation was based on the treasury stock method and included all options and warrants that were issued at prices lower than the market price of the Company's common shares at the respective period ends.

The following table illustrates the dilutive effect of the outstanding options and warrants at March 31, 2010 and 2009:

	Three Months Ended March 31,	
	2010	2009
Basic weighted average shares outstanding	**61,078**	36,582
Dilutive effect of options	**1,621**	426
Dilutive effect of warrants	**11,880**	–
Diluted weighted average shares outstanding	**74,579**	37,008

13. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) ("AOCI") is comprised of the fair value of the interest rate swap on the long-term loan. 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:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
AOCI at beginning of period	$ (121)	$ –
OCI for the period due to fair value of interest rate swap	50	–
AOCI at end of period	$ (71)	$ –

14. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accrued receivables, accounts payable, accrued liabilities and long-term loan. In addition, the Company has an interest rate swap.

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.

(in thousands of Canadian dollars)

14. Financial Instruments - Continued

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 March 31, 2010. 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	$ 1,049	$ –	$ –	$ 1,049
Financial liabilities:				
Long-term loan	$ –	$ –	$ 8,791	$ 8,791
Interest rate swap	$ –	$ 71	$ –	$ 71

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.

The Company derived approximately 45% (December 31, 2009 – 35%) of its revenues for the period ended March 31, 2010 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 its financial instruments and it has had minimal bad debt expense.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity by assuring that there is sufficient working capital to meet short and long-term business requirements after taking into account cash flows from operations and the Company’s holding of cash and net working capital. 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.

14. Financial Instruments - Continued

Management forecasts cash flows for its current and subsequent fiscal years to protect future financial requirements. At March 31, 2010, the Company had $1,049 (December 31, 2009 – $1,196) of cash and a current portion of its long-term loan of $2,200 (December 31, 2009 – $2,200) with a long-term portion of $6,591 (December 31, 2009 – $7,068). In accordance with the CICA Handbook Section 3855, the long-term debt is presented net of loan arrangement costs of $559, which are being amortized using the effective interest method 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, 2009 – $4,000) which has a variable interest rate based on prime. As at March 31, 2010 and December 31, 2009, the Company had not drawn on the facility.

The Company also has a five-year loan of $9,350 which carries a floating interest rate plus 3.25%, which has, through the swap (see Note 11), 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 on its loan.

The fair value of the swap effective as at March 31, 2010, recorded as a derivative financial instrument amounts to $71 in favour of the counterparty. This amount is recorded as a liability in accounts payable and accrued liabilities and is accumulated in other comprehensive income.

Currency risk

Virtually all of the Company's transactions are denominated in Canadian dollars. At March 31, 2010, the Company held no financial instruments that were denominated in other than Canadian currency.

(in thousands of Canadian dollars)

15. Segmented Reporting

The operations of the Company and its consolidated subsidiaries are comprised of two reportable operating segments referred to as (i) Physiotherapy and Disability Management and (ii) Don Mills Surgical Unit Limited ("DMSU"). The Physiotherapy and Disability segment includes the businesses of Centric Disability Management Inc. and Active Health Services Inc., which provide medical assessment and rehabilitation services to the insurance industry and employers, physiotherapy network management, and physiotherapy services to long-term care and retirement homes. 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 three months ended March 31, 2010

	Physiotherapy and Disability Management	DMSU	Corporate	Total
Revenue	$ 13,436	$ 339	$ –	$ 13,775
Amortization	$ 93	$ –	$ 1	$ 94
Interest	$ –	$ –	$ 213	$ 213
Income (loss) before interest and income taxes	$ 1,939	$ (8)	$ (213)	$ 1,718
Capital expenditures	$ 126	$ –	$ –	$ 126
Goodwill	$ 14,213	$ –	$ –	$ 14,213
Total assets (liabilities)	$ 31,659	$ 1,631	$ (17)	$ 33,273

As at and for the three months ended March 31, 2009

	Physiotherapy and Disability Management	DMSU	Corporate	Total
Revenue	$ 3,937	$ 332	$ –	$ 4,269
Amortization	$ 26	$ 21	$ 2	$ 47
Interest	$ –	$ –	$ 13	$ 13
Income (loss) before interest and income taxes	$ 1,306	$ 47	$ (813)	$ 540
Capital expenditures	$ 18	$ 1	$ 12	$ 31
Goodwill	$ 47	$ –	$ –	$ 47
Total assets	$ 5,946	$ 1,668	$ 1,556	$ 9,170

16. Contingencies

During the quarter ended March 31, 2010, the former CEO of the Company commenced a claim seeking compensation for termination of her employment and additional compensation amounts. The Company has initiated a defense against this claim and management believes that it has adequate reserves in its financial statements to provide for the settlement of this action.

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 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.

17. Subsequent Event

In the period ended March 31, 2010, the Company entered into an agreement in principle to acquire a license and assets to operate a six-bed sleep lab for consideration of $250. The transaction was contingent on approval from the Ministry of Health and Long Term Care to transfer the license. Subsequent to the end of the quarter, the Company obtained this approval. The Company expects the transaction to close in the second quarter.