



NIGHTINGALE INFORMATIX CORPORATION

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)
For the three and six month periods ended September 30, 2007**

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NIGHTINGALE INFORMATIX CORPORATION

INTERIM CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2007
(unaudited)

	3 months ending September 30, 2007	3 months ended September 30, 2006	6 months ending September 30, 2007	6 months ended September 30, 2006
Revenue	\$ 6,985,717	\$3,466,740	\$ 13,066,898	\$ 6,448,574
Cost of Sales				
Hardware, Software and Services	1,261,205	936,482	2,418,684	2,112,023
Sales Commissions	244,582	43,934	393,572	111,161
	<u>1,505,787</u>	<u>980,416</u>	<u>2,812,256</u>	<u>2,223,184</u>
Gross Profit	<u>5,479,930</u>	<u>2,486,324</u>	<u>10,254,642</u>	<u>4,225,390</u>
Expenses				
General and Administration	1,243,378	790,773	2,101,175	1,663,833
Sales and Marketing	922,682	813,134	1,865,879	1,588,606
Research and Development	1,370,861	971,311	2,664,654	1,974,473
Client Services	1,612,667	620,861	3,230,908	1,192,504
Stock Based Compensation	70,431	156,960	295,554	380,178
Depreciation and Amortization	952,923	230,633	1,942,432	394,318
	<u>6,172,942</u>	<u>3,583,672</u>	<u>12,100,602</u>	<u>7,193,912</u>
Operating Loss for the Period	<u>(693,012)</u>	<u>(1,097,348)</u>	<u>(1,845,960)</u>	<u>(2,968,522)</u>
Interest, Note 12	602,380	12,227	1,148,818	553,597
Other Loss (Income), Note 13	99,331	(25,324)	153,010	(116,863)
Net Loss and Comprehensive Loss for the Period	<u>(1,394,723)</u>	<u>(1,084,251)</u>	<u>(3,147,788)</u>	<u>(3,405,256)</u>
Net Loss per Common Share, Basic and Diluted	<u>\$(0.02)</u>	<u>\$(0.03)</u>	<u>\$(0.05)</u>	<u>\$(0.09)</u>
Weighted Average Number of Common Shares	<u>66,914,490</u>	<u>41,817,643</u>	<u>65,139,625</u>	<u>38,313,388</u>

NIGHTINGALE INFORMATIX CORPORATION

**INTERIM CONSOLIDATED BALANCE SHEET
(unaudited)**

	As at September 30, 2007	As at March 31, 2007
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,656,069	\$ 1,747,660
Accounts Receivable	4,584,656	3,018,767
Other Receivables	-	79,739
Inventory	115,790	7,893
Prepaid Expenses	762,369	257,157
	<u>9,118,884</u>	<u>5,111,216</u>
Long-Term Assets		
Deferred Costs, Note 5	205,969	626,890
Property and Equipment, Note 0	1,628,703	1,352,739
Proprietary Software, Note 7	1,022,572	1,230,472
Intangible Assets, Note 3	11,573,085	1,878,099
Goodwill, Note 3	15,007,773	7,331,853
	<u>29,438,102</u>	<u>12,420,053</u>
	<u>\$ 38,556,986</u>	<u>\$ 17,531,269</u>
LIABILITIES		
Current Liabilities		
Borrowing under Line of Credit	\$ -	\$ 1,541,733
Accounts Payable and Accrued Liabilities	4,381,489	2,770,367
Current Portion of Deferred Revenue	5,672,893	1,829,931
Current Portion of Capital Lease Obligations	195,675	258,586
	<u>10,250,057</u>	<u>6,400,617</u>
Long Term Liabilities		
Subordinated Debt, Note 0	10,215,413	-
Deferred Compensation Payable to Employees	-	100,824
Deferred Revenue	1,469,073	1,716,512
Capital Lease Obligations	146,413	196,246
	<u>11,830,899</u>	<u>2,013,582</u>
Total Liabilities	<u>22,080,956</u>	<u>8,414,199</u>
SHAREHOLDERS' EQUITY		
Capital Stock, Note 9	27,295,885	18,553,953
Contributed Surplus, Note 10	1,316,771	1,021,217
Warrants, Note 11	3,277,011	1,807,749
Deficit	(15,413,637)	(12,265,849)
	<u>16,476,030</u>	<u>9,117,070</u>
Total Liabilities and Shareholders' Equity	<u>\$ 38,556,986</u>	<u>\$ 17,531,269</u>

Approved on behalf of the board:

"Samer Chebib" Director

"David Atkins" Director

NIGHTINGALE INFORMATIX CORPORATION**INTERIM CONSOLIDATED STATEMENT OF DEFICIT
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2007
(unaudited)**

	3 months ending September 30, 2007	3 months ended September 30, 2006	6 months ending September 30, 2007	6 months ended September 30, 2006
Deficit, Beginning of the Period	\$ (14,018,914)	\$ (8,873,618)	\$(12,265,849)	\$(6,552,613)
Net Loss For the Period	<u>(1,394,723)</u>	<u>(1,084,251)</u>	<u>(3,147,788)</u>	<u>(3,405,256)</u>
Deficit, End of the Period	<u>\$ (15,413,637)</u>	<u>\$ (9,957,869)</u>	<u>\$ (15,413,637)</u>	<u>\$ (9,957,869)</u>

NIGHTINGALE INFORMATIX CORPORATION

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2007
(unaudited)**

	3 months ending September 30, 2007	3 months ended September 30, 2006	6 months Ending September 30, 2007	6 months Ended September 30, 2006
Cash Flow from Operating Activities				
Net Loss for the Period	(1,394,723)	\$(1,084,251)	(3,147,788)	\$(3,405,256)
<i>Adjustments for:</i>				
Depreciation and Amortization	952,923	230,633	1,942,432	394,318
Stock Based Compensation	70,431	156,960	295,554	380,178
Interest Accretion	196,856	-	393,714	-
	<u>(174,513)</u>	<u>(696,658)</u>	<u>(516,088)</u>	<u>(2,630,760)</u>
<i>Changes in Non-Cash Working Capital Balances,</i>				
Decrease (Increase) in Accounts Receivable	(1,224,635)	(948,060)	(738,866)	(1,440,116)
Decrease (Increase) in Prepaid Expenses	(268,713)	125,079	(308,205)	70,647
Decrease (Increase) in Inventory	(23,931)	-	(79,066)	-
Decrease (Increase) in Deferred Costs	20,111	(24,633)	403,511	223,392
Decrease (Increase) in Other Receivables	41,004	-	79,739	145,107
Increase (Decrease) in Accounts Payable and Accrued Liabilities	24,840	(183,627)	(863,193)	(647,434)
Increase (Decrease) in Deferred Compensation Payable	-	24,000	(98,862)	(286,493)
Increase (Decrease) in Deferred Revenue	106,197	295,423	(116,716)	212,848
Cash flows provided from (used in) operating activities	<u>(1,499,640)</u>	<u>(1,408,476)</u>	<u>(2,237,746)</u>	<u>(4,352,809)</u>
Cash Flow from Investing Activities				
Purchase of Property and Equipment	(305,425)	(304,409)	(453,683)	(430,692)
IHPS Acquisition, Note 3b	-	-	-	(2,990,880)
VantageMed Acquisition, Note 3a	-	-	<u>(13,533,087)</u>	-
Cash flows provided from (used in) investing activities	<u>(305,425)</u>	<u>(304,409)</u>	<u>(13,986,770)</u>	<u>(3,421,572)</u>
Cash Flow from Financing Activities				
Increase in Capital Stock	-	159,496	8,741,932	9,424,866
Decrease in Bank Loan Payable	-	-	-	(148,782)
Proceeds from subordinated debt financing	-	-	11,089,812	5,000,000
Repayment of Subordinated Debt Financing	-	-	-	(4,569,000)
Decrease In Promissory Notes Payable	-	(249,636)	-	(1,477,556)
Increase (Decrease) in Capital Lease Obligations	(82,765)	112,976	(157,086)	175,501
Increase (Decrease) in Borrowing under Line of Credit	-	43,722	<u>(1,541,733)</u>	<u>968,924</u>
Cash flows used in financing activities	<u>(82,765)</u>	<u>66,558</u>	<u>18,132,925</u>	<u>9,373,953</u>
Net Increase in Cash During the Period	(1,887,830)	(1,646,327)	1,908,409	1,599,572
Cash and Cash Equivalents, Beginning of Period	<u>5,543,899</u>	<u>3,619,590</u>	<u>1,747,660</u>	<u>373,691</u>
Cash and Cash Equivalents, End of Period	\$ 3,656,069	\$ 1,973,263	\$ 3,656,069	\$1,973,263

NIGHTINGALE INFORMATIX CORPORATION

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2007

1. BASIS OF PREPARATION

The accompanying interim consolidated financial statements of Nightingale Informatix Corporation and its wholly owned subsidiaries ("Nightingale" or the "Company") have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by Canadian GAAP for annual consolidated financial statements.

The accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for interim periods. Operating results for the three months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2008. The accounting policies used in the preparation of these interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for fiscal 2007.

These interim consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements for the year ended March 31, 2007, except as described in Note 2 below. Certain prior period amounts have been reclassified to conform to the current period's presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The financial statements are prepared on a consolidated basis for Nightingale Informatix Corporation and its wholly owned subsidiaries, VantageMed Corporation, Nightingale HealthNet Corporation, Nightingale HealthNet Canada Corporation and VisionMD (2002) Inc.

All significant intercompany balances and transactions have been eliminated on consolidation.

Revenue recognition

License fees

The Company sells products and services, based on the terms and conditions of customer contracts. Certain arrangements provide for the delivery of multiple elements, which may include a license to use the licensed application software, continuing post-contract services (or "PCS") such as support and maintenance and for computer equipment.

Revenue from the license fee element is recognized at the inception of the license term, provided the Company has vendor-specific objective evidence ("VSOE") of the fair value of each element of the customer contract and the application software has been delivered. License revenue is deferred if VSOE does not exist for each contract element or if there are uncertainties about the timing of delivery of specific elements. License revenue that is deferred is recognized when all of the revenue recognition criteria are met with respect to the undelivered elements.

Support and maintenance (PCS)

PCS revenue is recognized ratably over the term of the contract, on a straight-line basis.

Hardware products

Revenue from the resale of computer equipment / hardware products is recognized when there is an unconditional sales order, the product is delivered, the fee is fixed or determinable, no significant future vendor obligations exist at the time of delivery and collection is reasonably assured.

NIGHTINGALE INFORMATIX CORPORATION

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2007

Services

For all services revenue, revenue is recognized at the time the service is performed. Services provided to customers include:

Data Management and Transcription Services: The Company sells data management services to transmit data on behalf of the client and transcription services to convert voice files into a text format.

Billing Services: The Company processes billing claims from its clients to insurance companies and regional health authorities.

Other Billable Services: The Company sells other services, including custom product development, customization of existing products, product enhancements, project management and implementation and training services.

3. BUSINESS COMBINATIONS

a. VantageMed Acquisition

On April 18, 2007, the Company completed its acquisition of all the outstanding shares of VantageMed, a provider of practice management software and services to the healthcare industry in the U.S. market. The agreement to acquire VantageMed was announced on February 19, 2007. Total consideration for the transaction was CDN\$14.4 million (US\$13.0 million or US\$0.75 per share) for all of the outstanding shares. VantageMed, a Delaware-based corporation, currently operates as Nightingale VantageMed Corporation, a wholly-owned subsidiary of Nightingale.

The preliminary allocation of the purchase price to the fair value of the assets and liabilities acquired is as follows (in CDN \$):

Current assets	\$ 2,270,337
Property and equipment	61,189
Assets under capital leases	23,967
Accounts payable and other liabilities	(2,472,353)
Current deferred revenue	(3,712,239)
Capital lease obligations	(44,344)
Intangibles	10,948,083
Goodwill	7,675,920
	<u>\$ 14,750,560</u>
Cash consideration	\$ 14,373,362
Transaction costs	377,198
	<u>\$ 14,750,560</u>

This allocation is preliminary and will be finalized upon receipt of a completed report by an independent valuator. This acquisition will be accounted for by the purchase method. From April 19, 2007 onward, the Company has consolidated the operations of VantageMed in its consolidated financial statements.

Intangible assets acquired, pursuant to the VantageMed acquisition consist of customer contract and contractual relationships and are being amortized on a straight-line basis over their estimated useful lives of five years. The goodwill related to this acquisition is expected to be deductible for income tax purposes.

The Company paid \$14,750,560 in cash for the acquisition of VantageMed, including transaction costs. Cash of \$1,217,473 was included in the assets of VantageMed, resulting in net cash paid of \$13,533,087.

NIGHTINGALE INFORMATIX CORPORATION

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2007

b. IHPS Acquisition

On April 1, 2006, the Company completed its purchase of the assets of Integrated Healthware Inc., a health-care software provider for the US market and its affiliate, Physician Strategies LLC, a Massachusetts-based practice management firm focused on providing claims processing services to US physicians (collectively referred to as "IHPS"). The agreement to acquire IHPS was originally announced on January 12, 2006. IHPS shareholders received total consideration of \$6,801,210 (US\$5,813,000), which included \$2,823,210 (US\$2,413,000) in cash, \$643,500 (US\$550,000) in a promissory note payable, the issuance of 559,211 common shares of Nightingale valued at \$994,500 (US\$850,000, US\$1.52 per common share), and \$2,340,000 (US\$2,000,000) in the form of a performance-based earn-out. The promissory note, with payments due in multiple installments during fiscal 2007, was paid in full during the period.

The earn-out is contingent on certain revenue targets over a three-year period and will be paid on a basis of 80% in shares and 20% in cash, with the share price of these earn-out shares based on the 20-day average closing price of Nightingale's common shares, prior to the release of the fiscal 2007, 2008 and 2009 consolidated financial statements. Since the outcome of the contingent consideration cannot be determined beyond reasonable doubt, the \$2,340,000 (US\$2,000,000) contingent consideration has been excluded in the recorded purchase price. Therefore, the aggregate recorded purchase price, including transaction costs of \$167,670, is \$4,628,880 (US\$3,956,308). Once the outcome of the contingency is determinable beyond a reasonable doubt, contingent consideration recognized, if any, will be added to the purchase price. As at the end of fiscal 2007, no amounts under the earnout were payable.

Details of the fair value of net assets acquired at the date of acquisition (converted at an exchange rate of \$1.17) are as follows, in Canadian dollars:

Current assets	\$ 210,169
Property and equipment, net	132,348
Assets under capital lease	9,428
Proprietary software	585,000
Intangible assets	1,372,955
Goodwill	3,240,147
Current liabilities	<u>(921,167)</u>
Purchase price	<u>\$ 4,628,880</u>
Purchase price consideration:	
Promissory note	\$ 643,500
Nightingale common shares	994,500
Cash	2,823,210
Payment of transaction costs	<u>167,670</u>
	<u>\$ 4,628,880</u>

The Company paid \$2,990,880 in cash for the acquisition of IHPS, including transaction costs. An additional \$14,375 of share issue costs was applied against common shares issued, resulting in total cash paid of \$3,005,255.

The Company has finalized the allocation of the purchase price for the acquisition, as stated above. Intangible assets acquired, pursuant to the IHPS acquisition consist of customer contract and contractual relationships and are being amortized on a straight-line basis over their estimated useful lives of five years. The goodwill related to this acquisition is expected to be deductible for income tax purposes.

4. PUBLIC OFFERING

On April 13, 2007, Nightingale completed an equity financing comprised of a total of 25,000,000 Subscription Receipts (the "Subscription Receipts") of the Company at a price of \$0.40 per Subscription Receipt for aggregate gross proceeds of \$10,000,000 and net proceeds of \$8,719,932. Each Subscription Receipt entitled the holder thereof to acquire one Nightingale common share for no additional consideration. On April

NIGHTINGALE INFORMATIX CORPORATION**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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19, 2007, in conjunction with the closing of the VantageMed acquisition, the Subscription Receipts were converted into common shares of the Corporation.

5. DEFERRED COSTS

Deferred costs as at September 30, 2007 and March 31, 2007 include \$205,969 and \$219,070, respectively, in deferred sales commission costs that will be recognized as commission expense as the related revenues are recognized. In addition, at March 31, 2007 deferred costs included : (i) \$63,231 for the issuance of equity as part of the Public Offering (Note 4), which was netted against the proceeds from the offering upon its completion; (ii) \$88,359 of costs related to the acquisition of VantageMed Corporation ("VantageMed") (Note 3a) which was added to the purchase price upon completion of the acquisition; (iii) \$256,230 of costs related to the Subordinated Debt financing (Note 0) which was included as financing costs upon completion of the financing.

6. PROPERTY AND EQUIPMENT

Property and equipment as at September 30, 2007 are as follows:

	Cost	Accumulated Amortization	September 30, 2007 Net Book Value
Office equipment	\$ 1,483,179	591,692	891,487
Furniture and fixtures	199,013	67,026	131,987
Assets under capital lease - office equipment	608,434	236,220	372,214
Assets under capital lease - furniture and fixtures	124,659	40,574	84,085
Leasehold Improvements	193,413	44,483	148,930
	<u>\$ 2,608,698</u>	<u>979,995</u>	<u>1,628,703</u>

Property and equipment as at March 31, 2007 are as follows:

	Cost	Accumulated Amortization	March 31, 2007 Net Book Value
Office equipment	\$ 1,011,122	455,404	555,718
Furniture and fixtures	170,191	52,674	117,517
Assets under capital lease - office equipment	584,467	157,569	426,898
Assets under capital lease - furniture and fixtures	124,659	30,263	94,396
Leasehold Improvements	180,558	22,348	158,210
	<u>\$ 2,070,997</u>	<u>718,258</u>	<u>1,352,739</u>

NIGHTINGALE INFORMATIX CORPORATION

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2007**

7. PROPRIETARY SOFTWARE

As at September 30, 2007, proprietary software is as follows:

	Cost	Accumulated Amortization	September 30, 2007 Net Book Value
Proprietary software	<u>\$ 1,830,384</u>	<u>\$ 807,812</u>	<u>\$ 1,022,572</u>

As at March 31, 2007, proprietary software is as follows:

	Cost	Accumulated Amortization	March 31, 2007 Net Book Value
Proprietary software	<u>\$ 1,829,245</u>	<u>\$ 598,773</u>	<u>\$ 1,230,472</u>

8. SUBORDINATED DEBT

On April 19, 2007, Nightingale closed a \$12 million subordinated debt financing. The financing was led by Wellington Financial LP and included Export Development Canada, a Limited Partner in Wellington Financial Fund III (the "Lenders"). The credit facility is a secured 24-month term loan facility, with an interest rate of 12.75% per annum. Nightingale also provided the lenders with 7,994,186 special warrants ("Warrants"). Each Warrant is convertible into common share purchase warrants, each entitling the holder to purchase one common share of Nightingale at a price of \$0.43 per share for five years from the date of closing. These Warrants and, as applicable, the warrants and common shares, are subject to a four-month hold period, pursuant to securities laws. The transaction costs related to the subordinated debt financing totaled \$910,188 and included a commitment fee equal to 3.75% of the available facility.

The proceeds and costs were allocated to the debt and warrants based on the relative fair value of debt and the Warrants. The fair value of the Warrants was determined to be \$1,574,855 using the Black-Scholes option pricing model with the following assumptions:

Warrant exercise price	\$0.43
Market value of common shares on date of issuance of Warrants	\$0.43
Risk-free rate	3.95%
Expected volatility	50.0%
Expected dividend yield	0.0%
Estimated life of Warrants	4 years

The fair value of the subordinated debt of \$10,425,145 was determined by discounting the future contractual cash flows of the subordinated debt using an interest rate of 21%. Based on the relative fair values of the subordinated debt and Warrants, proceeds of \$10,425,145 and transaction costs of \$804,595 was allocated to the subordinated debt and proceeds of \$1,574,855 and transaction costs of \$105,593 was allocated to the Warrants.

In November 2007, the term of the subordinated debt was extended to November 2009 and certain quarterly and cumulative financial covenants were amended. Management expects to meet these covenants over the remaining term of the debt agreement. If the Company is in breach of any of the covenants over the term of the subordinated debt, management intends to work with the lenders to obtain a waiver or renegotiate the terms of the covenants.

NIGHTINGALE INFORMATIX CORPORATION

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2007**

9. CAPITAL STOCK

a. Authorized

Unlimited	Preference shares
Unlimited	Common shares

b. Common shares issued

	Number	Amount
Balance as at March 31, 2006 ¹	<u>33,123,972</u>	<u>9,160,446</u>
Issued on exercise of Warrants	183,500	196,476
Issued on exercise of stock options	215,002	256,800
Issued to officers of the Company	135,000	183,600
Issued on private placement	7,700,000	7,776,506
Issued on IHPS acquisition, net of share issue costs	<u>559,211</u>	<u>980,125</u>
Balance as at March 31, 2007 ¹	<u>41,916,685</u>	<u>\$18,553,953</u>
Issued on Public Offering	25,000,000	8,741,932
Cancelled shares	<u>(2,195)</u>	<u>-</u>
Balance as a September 30, 2007 ¹	<u><u>66,914,490</u></u>	<u><u>\$27,295,885</u></u>

¹ 5,104,167 common shares were issued on March 16, 2006 as partial consideration towards the acquisition of the business and assets of Scribes Inc., Scribes (USA) Inc., HealthNet Inc. (a Delaware corporation) and HealthNet Inc. (an Ontario corporation) (collectively referred to as HealthNet). Only 3,437,500 common shares are included above because 1,666,667 common shares with value of \$2,000,000 are subject to the performance escrow and have been excluded in the purchase price of the acquisition. In May 2007, the Company granted 1,128,100 restricted common shares to certain officers related to the VantageMed Acquisition. These shares have restricted terms based on continued employment over a three year period. Including the 1,666,667 common shares issued on the HealthNet acquisition and the 1,128,100 restricted shares, the total common shares outstanding as at March 31, 2007 are 43,583,352 shares and as at September 30, 2007 are 69,709,257 shares.

c. Stock Option Plan

The Company has adopted a stock option plan that permits the Board of Directors to grant employees, officers, directors and consultants of the Company non-transferable stock options to purchase up to 10% of the common shares issued and outstanding at any time. Under the plan, no individual person may own greater than 5% of the outstanding stock options. Generally, the stock options vest over four years and are exercisable for a maximum term of five years.

The fair value of the stock options granted during the 6 month period ended September 30, 2007 was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free rate	3.95%
Expected volatility	50.0%
Expected dividend yield	0.0%
Life of stock option	4 years

i. Summarized information relative to the Company's stock option plan

NIGHTINGALE INFORMATIX CORPORATION

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	Number of Stock Options	Weighted Average Exercise Price
Balance as at March 31, 2007	2,751,990	\$ 1.24
Issued	1,780,849	0.45
Cancelled / Expired	<u>(259,829)</u>	<u>1.37</u>
Balance as at September 30, 2007	<u>4,273,010</u>	<u>\$ 0.90</u>

ii. Summarized information relative to stock options outstanding and exercisable

Exercise Price	Number Outstanding at September 30, 2007	Exercisable	Remaining Contracted Life (Years)
\$0.45	1,780,849	511,164	4.67
0.46	119,632	115,242	0.40
0.75	73,000	-	4.36
0.91	72,029	36,975	2.39
1.00	618,500	359,250	2.61
1.25	596,500	252,000	3.46
1.50	<u>1,012,500</u>	<u>434,375</u>	3.17
	<u>4,273,010</u>	<u>1,709,006</u>	

10. CONTRIBUTED SURPLUS

Included in contributed surplus is the expense related to the fair value of stock options granted to employees and non-employees at the date of grant valued under the Black-Scholes option pricing model. At such date as the stock options are exercised, contributed surplus is reduced by the previously recognized compensation expenses and a corresponding increase is made to the value included in the capital stock attributable to common shares.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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Changes in contributed surplus for the period ended September 30, 2007 are as follows:

	Amount
Balance as at March 31, 2006	<u>742,503</u>
<i>STOCK OPTIONS</i>	
Expensed- options issued in current year	161,537
Expensed- options issued in previous years	485,061
Cancelled	(88,740)
Exercised	<u>(95,544)</u>
Changes in year due to stock options	<u>462,314</u>
<i>SHARE GRANT¹</i>	
Shares issued	<u>(183,600)</u>
Balance as at March 31, 2007	\$ 1,021,217
<i>STOCK OPTIONS AND RESTRICTED SHARE GRANTS</i>	
Expensed- options issued in current period	136,775
Expensed- options issued in previous periods	167,789
Cancelled	<u>(84,210)</u>
Changes in period due to stock options	<u>220,354</u>
<i>SHARE GRANT²</i>	
Expensed – restricted share grants	75,200
Balance as at September 30, 2007	<u>\$ 1,316,771</u>

¹ As at March 31, 2006, the Company owed 135,000 common shares to officers in lieu of cash bonuses. These shares were issued in April 2006.

² In May 2007, the Company granted 1,128,100 restricted common shares to certain officers related to the VantageMed Acquisition. The awards were granted at nil cost to the employees and have restricted terms based on continued employment over a three year period. The cost of these shares shall be expensed as such over the same three year vesting period.

11. WARRANTS

Included in Warrants is the fair value of Warrants granted at the date of grant using the Black-Scholes option pricing model.

i. Summarized information relative to changes in Warrants during the period

Changes in Warrants for the period ended September 30, 2007 are as follows:

	Number	Amount	Weighted Average Exercise Price
Balance as at March 31, 2006	<u>273,020</u>	<u>\$ 74,235</u>	<u>\$ 0.85</u>
Issued - subordinated debt	1,250,000	431,000	1.50
Issued - private placement	5,005,000	1,355,855	1.55
Exercised	(183,500)	(53,341)	0.78
Expired	<u>(89,520)</u>	<u>-</u>	<u>1.00</u>
Balance as at March 31, 2007	6,255,000	\$ 1,807,749	\$ 1.54
Issued - subordinated debt	<u>7,994,186</u>	<u>1,469,262</u>	<u>0.43</u>
Balance as at September 30, 2007	<u>14,249,186</u>	<u>\$ 3,277,011</u>	<u>0.68</u>

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ii. Summarized information relative to Warrants outstanding and exercisable

Exercise Price	Number Outstanding at September 30, 2007	Exercisable	Remaining Contracted Life (Years)
0.43	7,994,186	7,994,186	4.53
1.30	770,000	770,000	0.72
1.50	1,250,000	1,250,000	0.57
1.60	4,235,000	4,235,000	0.72
	<u>14,249,186</u>	<u>14,249,186</u>	

12. INTEREST

	3 months ending September 30, 2007	3 months ending September 30, 2006	6 months ending September 30, 2007	6 months ending September 30, 2006
Interest on capital lease obligations	\$ 10,075	\$17,316	\$ 23,029	\$31,571
Interest on subordinated debt	431,453	-	741,646	82,507
Interest on line of credit	-	18,787	63,156	37,917
Interest accretion	196,857	-	393,714	431,000
Interest income	(38,165)	(26,145)	(79,196)	(33,414)
Other interest	2,160	2,269	6,469	4,016
	<u>\$ 602,380</u>	<u>\$ 12,227</u>	<u>\$1,148,818</u>	<u>\$553,597</u>

13. OTHER LOSS (INCOME)

	3 months ending September 30, 2007	3 months ending September 30, 2006	6 months ending September 30, 2007	6 months ending September 30, 2006
Foreign Currency Loss (Gains)	\$ 99,331	\$ (25,324)	\$ 153,010	\$ (116,863)

14. SUPPLEMENTARY CASH FLOW INFORMATION

	3 months ending September 30, 2007	3 months ending September 30, 2006	6 months ending September 30, 2007	6 months ending September 30, 2006
Interest paid	\$ 414,549	\$ 8,147	\$ 805,161	134,644
Income taxes paid	\$ -	\$ -	\$ -	\$ -

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15. RELATED PARTY TRANSACTIONS

	6 months ended September 30, 2007	year ended March 31, 2007
Payments to a company controlled by the spouse of an officer and director (Note 18)	<u>\$ 10,038</u>	<u>\$ 40,151</u>
Included in deferred compensation payable:		
Cash due to an officer and director	<u>\$ -</u>	<u>\$ 98,861</u>

These transactions were recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties, which approximates market rates in management's opinion.

16. FINANCIAL INSTRUMENTS

Foreign exchange risk

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency, the Canadian dollar. Portions of revenues and expenses were denominated in US dollars. As at September 30, 2007, net monetary assets in the amount of CDN\$1,389,523 were denominated in US dollars.

17. SEGMENTED INFORMATION

During the period ended September 30, 2007, the Company operated within a single operating segment across two geographical regions. Information with respect to geographic areas is as follows:

	3 months ending September 30, 2007	3 months ending September 30, 2006	6 months ending September 30, 2007	6 months ending September 30, 2006
Revenue				
Canada	\$ 2,144,147	\$ 1,104,549	\$ 3,932,616	\$ 1,725,482
United States	<u>4,841,570</u>	<u>2,362,191</u>	<u>9,134,282</u>	<u>4,723,092</u>
	<u>\$ 6,985,717</u>	<u>\$ 3,466,740</u>	<u>\$13,066,898</u>	<u>\$ 6,448,574</u>
			As at September 30, 2007	As at March 31, 2007
Property and equipment and goodwill				
Canada			\$ 1,776,717	\$ 1,606,647
United States			<u>14,859,759</u>	<u>7,077,945</u>
			<u>\$ 16,636,476</u>	<u>\$ 8,684,592</u>

18. COMMITMENTS

The minimum rentals payable under long-term operating leases for all equipment and premises, exclusive of certain operating costs for which the Company is responsible are as follows:

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Fiscal Year	Amount
2008 (remaining portion)	\$ 458,896
2009	803,513
2010	554,791
2011	542,366
2012	415,549
2013 and thereafter	480,786

19. CHANGES IN ACCOUNTING POLICIES

As required by the Canadian Institute of Chartered Accountants (“CICA”), on April 1, 2007, the Company adopted CICA Handbook Section 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3861, *Financial Instruments – Disclosure and Presentation* and Section 3865, *Hedges*. The prospective adoption of these new standards resulted in changes in the accounting and presentation for financial instruments. The principal changes in the accounting for financial instruments due to the adoption of these accounting standards are described below.

a) Section 1530, Comprehensive Income

Section 1530 requires a statement of comprehensive income, which consists of net income and other comprehensive income (“OCI”). The Company did not have OCI during the three months ended September 30, 2007 and its comprehensive loss comprised its net loss.

b) Section 3251, Equity

Section 3251 describes the changes in how to report and disclose equity and changes in equity as a result of the new requirements of Section 1530, including the changes in equity for the period arising from OCI. Accumulated changes in OCI are included in accumulated other comprehensive income (“AOCI”) and are presented as a separate component of shareholders’ equity. The Company did not have a balance of AOCI at September 30, 2007.

**c) Section 3855, Financial Instruments – Recognition and Measurement
Section 3861, Financial Instruments – Disclosure and Presentation**

Under the new standards, all financial instruments were classified into the following categories: held for trading held to maturity investments, loans and receivables, available for sale financial assets or other liabilities. All financial instruments within the scope of the standard are included in the consolidated financial statements and are initially measured at fair value. Subsequently, all financial instruments are re-measured to fair value at each reporting period except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Held for trading financial investments are subsequently measured at fair value and all gains and losses as a result of measurement are included in net income in the period in 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.

As a result of the adoption of this standard, the Company has elected to classify each of its significant categories of financial instruments outstanding during the three months ended September 30, 2007 as follows:

- Cash and cash equivalents are classified as held-for-trading. Changes in fair value for the period are recorded in earnings as interest income.
- Accounts receivable and other receivables are classified as loans and receivables.

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- Borrowings under line of credit, accounts payable and accrued liabilities and capital lease obligations are classified as other financial liabilities
- Subordinated debt is classified as other financial liabilities and recorded at amortized cost using the effective interest method.

Debt issuance and transaction costs related to other financial liabilities are added to the carrying value of the debt and amortized over the term of the debt using the effective interest method.

d) Section 3865, Hedges

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges and cash flow hedges. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale of early termination of the hedged item. The Company did not have any hedges during the three months ended September 30, 2007.

Recent accounting pronouncements

In December 2006, CICA issued Section 1535 "Capital Disclosures," which establishes the standards for disclosing information about an entity's capital and how it is managed. CICA Section 1535 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company will adopt this new standard effective April 1, 2008 and is assessing the impact of this new standard on its consolidated financial statements.

20. LEGAL

In the normal course of business, the Company is exposed to various claims and possible claims; the outcome of each is unpredictable. In management's opinion, the settlement of these claims, if any, should not have a significant impact on the Company's financial position.