



NIGHTINGALE INFORMATIX CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal year ended March 31, 2008

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July 28, 2008

Auditors' Report

PricewaterhouseCoopers LLP
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**To the Shareholders of
Nightingale Informatix Corporation**

We have audited the consolidated balance sheets of **Nightingale Informatix Corporation** as at March 31, 2008 and March 31, 2007 and the consolidated statements of operations and comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

(Signed) PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

NIGHTINGALE INFORMATIX CORPORATION

**CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED MARCH 31, 2008**

	Year Ended March 31, 2008	Year Ended March 31, 2007
Revenue	\$ 18,875,556	\$ 14,014,108
Cost of Sales		
Hardware, Software and Services	4,661,951	4,043,824
Sales Commissions	507,267	381,154
	<u>5,169,218</u>	<u>4,424,978</u>
Gross Profit	<u>13,706,338</u>	<u>9,589,130</u>
Expenses		
General and Administration	3,773,404	3,826,080
Sales and Marketing	3,191,495	2,881,932
Research and Development	4,611,547	3,814,413
Client Services	5,655,493	2,908,160
Stock Based Compensation	534,992	557,860
Depreciation and Amortization	2,189,583	867,262
	<u>19,956,514</u>	<u>14,855,707</u>
Operating Loss	<u>(6,250,176)</u>	<u>(5,266,577)</u>
Interest, Note 15	3,296,684	638,807
Foreign Currency Loss (Gain)	143,956	(192,148)
	<u>3,440,640</u>	<u>446,659</u>
Loss from Continuing Operations Before Tax	(9,690,816)	(5,713,236)
Current Tax Expense, Note 21	1,298,811	-
Future Tax Expense, Note 21	3,299,857	-
	<u>4,598,668</u>	<u>-</u>
Loss from Continuing Operations	(14,289,484)	(5,713,236)
Earnings from Discontinued Operations, Note 4	501,113	-
Gain on Sale of Discontinued Operations	976,944	-
	<u>1,478,057</u>	<u>-</u>
Loss and Comprehensive Loss	<u>\$ (12,811,427)</u>	<u>\$ (5,713,236)</u>
Basic and Diluted (Loss per Common Share)		
Loss from Continuing Operations	(0.22)	(0.14)
Earnings from Discontinued Operations – Basic and Diluted	0.01	-
Gain on Sale of Discontinued Operations	0.01	-
Loss and Comprehensive Loss per Common Share	<u>(0.19)</u>	<u>(0.14)</u>
Weighted Average Number of Common Shares – Basic and Diluted	<u>66,227,558</u>	<u>40,119,580</u>

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

NIGHTINGALE INFORMATIX CORPORATION

**CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2008**

	As at March 31, 2008	As at March 31, 2007
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 5,033,746	\$ 1,747,660
Accounts Receivable	3,151,582	3,018,767
Other Receivables	1,034,721	79,739
Inventory	168,948	7,893
Prepaid Expenses	649,207	257,157
	<u>10,038,204</u>	<u>5,111,216</u>
Long-Term Assets		
Deferred Costs, Note 6	201,940	626,890
Property and Equipment, Note 7	1,722,276	1,352,739
Intangible Assets, Note 8	7,336,804	3,108,571
Goodwill	4,692,399	7,331,853
	<u>13,953,419</u>	<u>12,420,053</u>
Total Assets	<u><u>\$ 23,991,623</u></u>	<u><u>\$ 17,531,269</u></u>
LIABILITIES		
Current Liabilities		
Borrowing under Line of Credit, Note 9	\$ -	\$ 1,541,733
Accounts Payable and Accrued Liabilities	5,384,530	2,770,367
Current Portion of Deferred Revenue	4,199,690	1,829,931
Current Portion of Capital Lease Obligations, Note 10	278,658	258,586
	<u>9,862,878</u>	<u>6,400,617</u>
Long Term Liabilities		
Subordinated Debt, Note 11	5,295,648	-
Deferred Compensation Payable to Employees	-	100,824
Deferred Revenue	1,214,110	1,716,512
Capital Lease Obligations, Note 10	438,682	196,246
	<u>6,948,440</u>	<u>2,013,582</u>
Total Liabilities	<u>16,811,318</u>	<u>8,414,199</u>
SHAREHOLDERS' EQUITY		
Capital Stock, Note 12	27,521,485	18,553,953
Contributed Surplus, Note 13	1,459,085	1,021,217
Warrants, Note 14	3,277,011	1,807,749
Deficit	(25,077,276)	(12,265,849)
	<u>7,180,305</u>	<u>9,117,070</u>
Total Liabilities and Shareholders' Equity	<u><u>\$ 23,991,623</u></u>	<u><u>\$ 17,531,269</u></u>

Commitments and Legal (see Notes 19 & 22)

Approved on behalf of the Board of Directors:

"Samer Chebib" Director

"David Atkins" Director

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

NIGHTINGALE INFORMATIX CORPORATION

**CONSOLIDATED STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 2008**

	Year Ended March 31, 2008	Year Ended March 31, 2007
Deficit, Beginning of the Period	\$ (12,265,849)	\$ (6,552,613)
Loss and Comprehensive Loss	<u>(12,811,427)</u>	<u>(5,713,236)</u>
Deficit, End of the Period	<u>\$ (25,077,276)</u>	<u>\$ (12,265,849)</u>

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

NIGHTINGALE INFORMATIX CORPORATION

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2008**

	Year Ended March 31, 2008	Year Ended March 31, 2007
Cash Flow from Operating Activities		
Loss from continuing operations	\$ (14,289,484)	\$ (5,713,236)
<i>Adjustments for:</i>		
Depreciation and Amortization	2,189,583	867,262
Amortization of Transaction Costs Related to Debt Financing	536,398	-
Gain on Sale of Assets	(22,130)	-
Stock Based Compensation	534,992	557,860
Future Tax Expense	3,299,857	-
Unrealized Foreign Exchange Gain	(83,813)	(34,735)
Interest Accretion	1,138,700	-
	<u>(6,695,897)</u>	<u>(4,322,849)</u>
<i>Changes in Non-Cash Working Capital Balances</i>		
Accounts Receivable	500,593	(1,503,360)
Investment Tax Credits Receivable	-	221,191
Prepaid Expenses	(195,044)	173,327
Inventory	(132,224)	-
Deferred Costs	424,950	(266,667)
Other Receivables	(929,806)	147,820
Accounts Payable and Accrued Liabilities	326,993	607,230
Deferred Compensation Payable	(100,824)	(303,151)
Deferred Revenue	(71,523)	757,927
Cash flows used in operating activities	<u>(6,872,782)</u>	<u>(4,488,532)</u>
Cash Flow from Investing Activities		
Purchase of Property and Equipment	(368,671)	(10,349)
Investment in Development of Proprietary Software	-	(205,062)
Sale of Helper Division, Note 4	10,810,873	-
IHPS Acquisition, Note 3b	-	(2,990,880)
VantageMed Acquisition, Note 3a	(13,533,087)	-
Cash flows used in investing activities	<u>(3,090,885)</u>	<u>(3,206,291)</u>
Cash Flow from Financing Activities		
Increase in Capital Stock	8,741,932	9,422,375
Payments on Bank Loan	-	(148,782)
Proceeds from Subordinated Debt Financing	11,089,812	5,000,000
Repayment of Subordinated Debt Financing	(6,000,000)	(4,569,000)
Repayment of Promissory Notes Payable	-	(1,643,500)
Repayment of Capital Lease Obligations	(297,961)	(534,034)
Increase (Decrease) in Borrowing under Line of Credit	(1,541,733)	1,541,733
Cash flows provided by financing activities	<u>11,992,050</u>	<u>9,068,792</u>
Foreign Exchange Gains(Losses) on Cash Held in Foreign Currency	(227,769)	157,413
Net Increase in Cash From Continuing Operations	2,256,152	1,216,556
Net Increase in Cash From Discontinued Operations, Note 4	1,257,703	-
Net Increase in Cash During the Period	3,286,086	1,373,969
Cash and Cash Equivalents, Beginning of Period	<u>1,747,660</u>	<u>373,691</u>
Cash and Cash Equivalents, End of Period	\$ 5,033,746	\$ 1,747,660
Non-cash investing and financing activities:		
Acquisition of property and equipment under capital lease	\$ 520,128	\$ 170,564
Supplemental cash flow information:		
Interest paid	\$ 1,734,905	\$ 271,179
Income taxes paid	\$ -	\$ -

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

NIGHTINGALE INFORMATIX CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

1. BUSINESS DESCRIPTION

Nightingale Informatix Corporation ("Nightingale" or the "Company") is incorporated under the Ontario Business Corporations Act. The Company's principal activities are the development, sale and support of application software and related services to customers in the health-care industry in Canada and the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

All significant intercompany balances and transactions have been eliminated on consolidation and certain amounts have been reclassified to confirm to the current year presentation.

Use of estimates

The preparation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Revenue recognition

Revenue consists of licenses to the Company's application software and related support and maintenance, and services. The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the product has been delivered or the services have been provided, the sales price is fixed and determinable and collectability is reasonably assured.

Software Licenses

When the Company's software and related license are sold with other services, the Company allocates the total fee to the various elements based on the relative fair values of the elements specific to the Company. The Company determines the fair value of each element in the arrangement based on vendor-specific objective evidence ["VSOE"] of fair value. When a licence agreement includes one or more elements to be delivered at a future date, such as maintenance and support, and VSOE of the fair value of all undelivered elements exists, the company uses the residual method to recognize revenue. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is recognized as revenue. If evidence of the fair value of one or more undelivered elements does not exist, all revenue is deferred and recognized when delivery of those elements occurs or when fair value can be established. VSOE for all elements of an arrangement is based upon the normal pricing and discounting practices for those elements sold separately.

Support and maintenance is recognized ratably over the period of maintenance and support, on a straight-line basis.

Services

Revenue related to services is recognized at the time the service is performed. Services provided to customers include data management and transcription, medical billing services, custom development, project management, implementation, training services and electronic transaction services including electronic claims processing and electronic statement printing.

NIGHTINGALE INFORMATIX CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

Foreign currency translation

Monetary items denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet date and non-monetary items are translated at exchange rates in effect when the assets are acquired or obligations incurred. Revenue and expenses are translated at the average exchange rate during each month. Foreign exchange gains and losses are included in the consolidated statement of operations.

For integrated foreign operations, monetary items are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets are acquired or obligations incurred. Revenue and expenses are translated at the average exchange rate during each month.

Research and development costs

Costs related to the development of software are expensed as incurred, unless such costs meet the criteria for capitalization and amortization under Canadian generally accepted accounting principles. The criteria include identifiable costs attributable to a clearly defined product, the establishment of technical feasibility, identification of a market for the software, the Company's intent to market the software and adequate resources expected to be available to complete the project.

Investment tax credits for research and development are recognized when earned and when the amount and timing of realization is reasonably determinable.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and highly liquid financial instruments. The fair value of these instruments is equal to their carrying value.

Accounts receivable

Accounts receivable are recorded at cost, less an allowance for uncollectible or doubtful accounts. The Company reviews accounts receivable and provides a reserve for amounts estimated not to be collectible. During this review historical experience, the age of the receivable balance, the credit-worthiness of the customer and the reason for the delinquency are considered.

Inventory

Inventories are stated at the lower of cost or market and consist primarily of software, hardware or related components purchased to fill existing or anticipated customer orders. Reserves are provided for excess or obsolete inventory, which are estimated based on the age of the items and our ability to utilize the items in future sales.

Property and equipment

Property and equipment are recorded at acquisition cost and amortized to operations over their estimated useful lives as follows:

Office equipment	3 years straight-line
Furniture and fixtures	5 years straight-line
Leasehold improvements	Duration of initial lease term – straight-line

Intangible assets

Intangible assets representing proprietary software and other intangible assets are recorded at acquisition cost and amortized over their estimated useful lives on a straight line basis over periods ranging from five to ten years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

Goodwill

Goodwill represents the excess of the purchase price of business acquisitions over the fair value of identifiable net assets acquired in such acquisitions. Goodwill is allocated as at the date of the business combination. Goodwill is not amortized but is tested for impairment annually or more frequently, if events or changes in circumstances indicate the asset might be impaired.

The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit including goodwill is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired, and the second step is considered unnecessary. In the event that the fair value of the reporting unit, including goodwill, is less than the carrying amount, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination using the fair value of the reporting unit as if it were the purchase price. When the carrying amount of the reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statement of operations.

Impairment of Long-Lived Assets

The unamortized portions of long lived assets such as property and equipment and intangibles assets are reviewed when events and changes in circumstances indicate that the carrying amounts may not be recoverable. If the projected undiscounted future cash flows are not sufficient to recover the carrying amounts, the assets are considered to be impaired and an impairment loss is measured as the amount by which the carrying amounts exceed fair values. No impairment of any long lived assets have been determined during any of the periods presented.

Deferred revenue

Deferred revenue generally results from advance payments of support and maintenance, payments made in advance of the delivery, implementation or customization services and license revenues where the Company has not met the criteria for revenue recognition as described above.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the amounts reported for financial statement purposes and tax values of assets and liabilities using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to be realized. A valuation allowance is established to reduce future tax assets if it is not considered more likely than not that all or some portions of such future tax assets will be realized.

Income (loss) per common share

Basic income (loss) per common share has been calculated by dividing the loss from the consolidated financial statements by the weighted average number of common shares outstanding during the year. The fully diluted income (loss) per share would be calculated using a common share balance increased by the number of common shares that could be issued under outstanding common share options of the Company. As the Company is in a loss position for the years ended March 31, 2008 and 2007, no dilutive effect would result from the potential increase in common shares. As well, all securities potentially having a dilutive effect were out of the money and would not be considered to be exercised as at March 31, 2008.

Stock-based compensation and other stock-based payments

The Company accounts for stock options and restricted stock grants using the fair value method. For employees, the stock-based compensation expense is amortized over the period from the grant date to the

NIGHTINGALE INFORMATIX CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

date that the award is fully vested using the graded vesting method. For non-employees, stock-based compensation is recorded in the period in which goods and services are provided by the non-employees.

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. Total consideration including transaction costs was \$14,750,560 (US\$13,316,478 or US\$0.75 per share) for all of the outstanding shares of VantageMed. Cash of \$1,217,473 was included in the acquired assets of VantageMed, resulting in net cash paid of \$13,533,087.

The allocation of the purchase price to the fair value of the assets and liabilities acquired was as follows:

Current assets	\$ 2,270,337
Property and equipment	61,189
Assets under capital leases	23,967
Accounts payable and other liabilities	(2,528,995)
Current deferred revenue	(3,712,239)
Capital lease obligations	(44,344)
Intangibles	16,491,695
Goodwill	2,188,950
	<u>\$ 14,750,560</u>
Cash consideration	\$ 14,373,362
Transaction costs	377,198
	<u>\$ 14,750,560</u>

This acquisition was accounted for using the purchase method and results have been included in the consolidated financial statements from the acquisition date.

Intangible assets acquired consist of customer contract and contractual relationships, technology and brand names and are being amortized on a straight-line basis over their estimated useful lives ranging from five to ten years.

b. IHPS Acquisition

On April 1, 2006, the Company completed its purchase of the assets of Integrated Healthware Inc., a healthcare 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"). IHPS shareholders received total consideration of \$6,801,210, which included \$2,823,210 in cash, \$643,500 in a promissory note payable, the issuance of 559,211 common shares of Nightingale valued at \$994,500, and \$2,340,000 (US\$2,000,000) in the form of a performance-based earn-out. The promissory note was paid in fiscal 2007.

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 could not be determined beyond reasonable doubt, the \$2,340,000 (US\$2,000,000) contingent consideration was excluded from the recorded purchase price. Therefore, the aggregate recorded purchase price, including transaction costs of

NIGHTINGALE INFORMATIX CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

\$167,670, was \$4,628,880. Once the outcome of the contingency is determinable beyond a reasonable doubt, contingent consideration recognized, if any, will be added to the purchase price.

Details of the fair value of net assets acquired at the date of acquisition were as follows:

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.

Intangible assets acquired 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. DISCONTINUED OPERATIONS

In February 2008, the Company completed the sale of its Helper business to Netsmart Technologies for a total purchase price of \$11 million (US\$11 million). The Company received cash of \$9.9 million (US\$9.9 million) upon closing and recorded an escrow receivable of \$1 million (US\$1 million), included in Other Receivables at March 31, 2008, representing the balance of the consideration. In April 2008, the Company received \$608,332 (US\$600,000) of the escrow receivable and in June 2008, the Company received another \$40,669 (US\$40,000). The balance of the escrow receivable, \$411,160 (US\$400,000), is scheduled to be received in the fourth quarter of fiscal 2009 subject to certain indemnity escrow provisions as outlined in the Asset Purchase Agreement. The Helper business was acquired as part of the VantageMed acquisition (Note 3a). The results of the Helper business have been classified as discontinued operations in the fiscal 2008 Statement of Operations.

The assets and liabilities sold included software and certain customer contracts including obligations to provide support and maintenance. The following table provides additional information with respect to amounts included in the financial statements as discontinued operations in the year ended March 31, 2008:

Statement of Operations – Discontinued Operations

Revenue	\$ 4,157,785
Earnings from discontinued operations	\$ 501,113

Statement Of Cash Flows – Discontinued Operations

Cash flow from operating activities	\$ 1,257,703
Net Increase in cash from discontinued operations	\$ 1,257,703

NIGHTINGALE INFORMATIX CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

The allocation of the sale price to the fair value of the assets and liabilities sold is as follows:

Property and equipment	\$	5,506
Current deferred revenue		(1,285,956)
Intangible assets		8,474,925
Goodwill		2,639,454
Gain on sale of product line	\$	976,944
		<hr/>
	\$	10,810,873
		<hr/>
Cash consideration	\$	10,985,873
Transaction costs		(175,000)
		<hr/>
	\$	10,810,873
		<hr/>

The Company is entitled to receive additional consideration for the sale in the first quarter of fiscal 2010 based on the occurrence of certain events. The amounts cannot be reasonably estimated and consequently are not included in these financial statements.

5. 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 19, 2007, in conjunction with the closing of the VantageMed acquisition, the Subscription Receipts were converted into common shares of the Corporation.

The equity financing was underwritten by a syndicate of underwriters who were granted an over-allotment option, exercisable for a period of 30 days following the closing date, to purchase up to an additional 3,750,000 Subscription Receipts of the Company on the same terms and conditions as the original Subscription Receipts. The over-allotment expired unexercised.

6. DEFERRED COSTS

Deferred costs as at March 31, 2008 and March 31, 2007 includes \$201,940 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 5), 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 11) which was included as financing costs upon completion of the financing.

NIGHTINGALE INFORMATIX CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

7. PROPERTY AND EQUIPMENT

Property and equipment as at March 31, 2008 are as follows:

	Cost	Accumulated Depreciation	March 31, 2008 Net Book Value
Office equipment	\$ 1,348,863	728,549	\$ 620,314
Furniture and fixtures	213,753	81,999	131,754
Assets under capital lease - office equipment	1,128,725	358,954	769,771
Assets under capital lease – furniture and fixtures	124,659	50,810	73,849
Leasehold Improvements	193,299	66,711	126,588
	<u>\$ 3,009,299</u>	<u>1,287,023</u>	<u>\$ 1,722,276</u>

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

	Cost	Accumulated Depreciation	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>

8. INTANGIBLE ASSETS

Components of intangible assets as at March 31, 2008 are as follows:

	Cost	Accumulated Amortization	March 31, 2008 Net Book Value
Proprietary software	\$ 1,830,383	984,413	\$ 845,970
Other Intangible assets			
HealtheNet	\$ 628,069	166,784	\$ 461,285
IHPS	1,372,955	369,212	1,003,743
VantageMed	5,672,113	646,307	5,025,806
	<u>\$ 9,503,520</u>	<u>2,166,716</u>	<u>\$7,336,804</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

Components of intangible assets as at March 31, 2007 are as follows:

	Cost	Accumulated Amortization	March 31, 2007 Net Book Value
Proprietary software	\$ 1,829,245	\$ 598,773	\$ 1,230,472
Other Intangible assets			
HealtheNet	\$ 628,069	\$ 35,680	\$ 592,389
IHPS	1,372,955	87,245	1,285,710
	<u>\$ 3,830,269</u>	<u>\$ 721,698</u>	<u>\$ 3,108,571</u>

9. LINE OF CREDIT

On April 19, 2007, the Company signed a US\$2 million credit facility with a bank. Accounts receivable have been provided as collateral for this facility. This loan facility carries an interest rate of prime plus 0.25% and has a term to April 18, 2008. There are no amounts outstanding under this line of credit at March 31, 2008.

10. CAPITAL LEASE OBLIGATIONS

Capital lease obligations, including interest at rates ranging from 8% to 19.5% per annum, due on various dates to March 1, 2010 and secured by charges over office equipment and furniture and fixtures.

	March 31, 2008
Principal amount	717,340
Less: Current portion of principal amount	278,658
	<u>438,682</u>
Future minimum lease payments are as follows:	
2009	331,508
2010	257,494
2011	236,723
2012 and thereafter	-
Total	825,725
Less: Imputed interest	108,385
Principal	<u>717,340</u>

11. 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"). On November 23, 2007, certain terms and covenants of the subordinated debt were amended. The credit facility is a secured 29-month term loan facility. The subordinated debt bears interest at a rate of 12.75% per annum, payable monthly. 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 and the November 2007 amendment totaled \$1,160,188 which includes a commitment fee equal to 3.75% of the

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available facility and a \$250,000 amendment fee. The amendment fee is payable on November 23, 2008 and bears interest at the rate of 12.75% per annum, payable monthly.

The proceeds and costs were allocated to the debt and warrants based on the relative fair value of the debt and Warrants. 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%. 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

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. The \$250,000 amendment fee was allocated to the subordinated debt.

In February 2008, the term of the subordinated debt was extended to March 2010, and following receipt of a waiver for certain quarterly and cumulative financial covenants, the covenants were amended. Management expects to meet these amended covenants over the remaining term of the debt agreement. If the Company is in breach of any of the covenants over the remaining term of the subordinated debt, management intends to work with the lenders to obtain a waiver or renegotiate the terms of the covenants.

In March 2008, the Company repaid \$6,000,000 of the subordinated debt. The remaining principal amount of \$6,000,000 is due March 2010.

12. CAPITAL STOCK

a. Authorized

Unlimited	Preference shares
Unlimited	Common shares

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b. Common shares issued and outstanding

	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
Issued to officer of the Company	564,050	225,600
Cancelled shares	<u>(2,195)</u>	<u>-</u>
Balance as at March 31, 2008 (1) (2)	<u>67,478,540</u>	<u>\$ 27,521,485</u>

(1) 5,104,167 common shares were issued on the purchase of HealtheNet. Only 3,437,500 common shares are included above because 1,666,667 common shares are subject to the performance escrow and have been excluded in the purchase price of the acquisition.

(2) 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. During the year the Company released 564,050 shares from restriction as part of the terms of the agreement related to the departure of one of the officers. Including the 1,666,667 common shares issuable on the HealtheNet acquisition and the remaining restricted shares of 564,050, the total common shares outstanding at March 31, 2008 and 2007 are 69,709,257 and 43,583,352, respectively.

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 each stock option on the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions at the measurement date:

	Options Granted 2008	Options Granted 2007
Risk-free interest rate	3.95%-4.17%	3.84%-4.44%
Estimated volatility	50.0%	50.0%
Dividend yield	0.0%	0.0%
Expected life	4 years	4 years

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

	Number of Stock Options	Weighted Average Exercise Price
Balance as at March 31, 2006	2,762,156	\$ 1.21
Issued	633,500	1.22
Cancelled / Expired	<u>(643,666)</u>	<u>1.07</u>
Balance as at March 31, 2007	2,751,990	\$ 1.24
Issued	2,300,849	0.45
Cancelled / Expired	<u>(1,192,779)</u>	<u>1.09</u>
Balance as at March 31, 2008	<u>3,860,060</u>	<u>\$ 0.82</u>

ii. Summarized information relative to stock options outstanding

Exercise Price	Number Outstanding as at March 31, 2008	Exercisable	Remaining Contracted Life (Years)
\$0.45	2,156,349	1,061,164	4.27
0.46	19,756	19,756	0.66
0.75	3,000	750	3.86
0.91	59,955	44,212	1.78
1.00	477,500	288,750	2.02
1.25	299,500	209,125	2.49
1.50	<u>844,000</u>	<u>534,500</u>	2.55
	<u>3,860,060</u>	<u>2,158,257</u>	

iii. Summary of the weighted average grant-date fair value of options issued

For the year ended March 31, 2008:

	Number of Options Issued	Weighted Average Exercise Price	Weighted Average Fair value of Option
Exercise price exceeds the market	<u>2,300,849</u>	<u>\$ 0.45</u>	<u>\$ 0.14</u>

For the year ended March 31, 2007:

	Number of Options Issued	Weighted Average Exercise Price	Weighted Average Fair value of Option
Exercise price equal to the market	<u>397,000</u>	<u>\$ 1.25</u>	<u>\$ 0.55</u>
Exercise price exceeds the market	<u>236,500</u>	<u>\$ 1.17</u>	<u>\$ 0.41</u>

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13. CONTRIBUTED SURPLUS

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

Changes in contributed surplus for the periods ended March 31, 2007 and 2008 are as follows:

	Amount
Balance as at March 31, 2006	<u>742,503</u>
<i>STOCK OPTIONS</i>	
Expensed	646,598
Cancelled	(88,740)
Exercised	<u>(95,544)</u>
Changes in year due to stock options	<u>462,314</u>
<i>SHARE GRANT</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	530,266
Cancelled	<u>(167,598)</u>
Changes in period due to stock options	<u>362,668</u>
<i>SHARE GRANT (1)</i>	
Expensed	112,800
Transfer to common shares on release of restrictions on restricted stock	<u>(37,600)</u>
Balance as at March 31, 2008	<u>\$ 1,459,085</u>

(1) 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 no cost to the employees and have restricted terms based on continued employment and they vest over a three year period. During the year, the Company released 564,050 shares from restriction as part of the terms of the agreement related to the departure of one of the officers.

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14. WARRANTS

The fair value of Warrants was estimated 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 March 31, 2008 are as follows:

	Number	Amount	Weighted Average Exercise Price
Balance as at March 31, 2006	<u>273,020</u>	\$ 74,235	<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 March 31, 2008	<u><u>14,249,186</u></u>	<u><u>\$ 3,277,011</u></u>	<u><u>0.68</u></u>

ii. Summarized information relative to Warrants outstanding and exercisable

Exercise Price	Number Outstanding at March 31, 2008	Exercisable	Remaining Contracted Life (Years)
0.43	7,994,186	7,994,186	4.03
1.30	770,000	770,000	0.22
1.50	1,250,000	1,250,000	0.07
1.60	<u>4,235,000</u>	<u>4,235,000</u>	0.22
	<u><u>14,249,186</u></u>	<u><u>14,249,186</u></u>	

In April and June 2008 a total of 6,255,000 warrants outstanding as at March 31, 2008 expired unexercised.

15. INTEREST

	Year Ended March 31, 2008	Year Ended March 31, 2007
Interest on capital lease obligations	\$ 40,041	\$ 59,885
Interest on subordinated debt	1,545,897	82,507
Transaction costs on subordinated debt	536,398	-
Interest on line of credit	63,820	124,075
Transaction costs on line of credit	91,074	-
Interest accretion on subordinated debt	1,138,700	-
Notional interest on subordinated debt warrants	-	431,000
Interest income	(130,730)	(63,372)
Other interest	<u>11,484</u>	<u>4,712</u>
	<u><u>\$ 3,296,684</u></u>	<u><u>\$ 638,807</u></u>

16. RELATED PARTY TRANSACTIONS

In September 2007, the Company entered into a six month consulting agreement with a company that is affiliated with one of the Company's directors. Fees totaling \$60,000 were expensed during service period in fiscal 2008 with a cash payment of \$30,000 made during the fiscal year and the remaining \$30,000 balance paid in April 2008.

The Company has entered into a number of four-year leases for computer equipment with a company that is affiliated with one of the Company's directors and officers. The total obligation remaining on these leases at March 31, 2008 is \$17,124 and the company made payments pursuant to these agreements totaling \$40,151 in each of the years ended March 31, 2008 and 2007. The leases expire at various dates through September 2008.

At March 31, 2007 the Company had deferred compensation balance of \$98,861 payable to an officer and director of the Company. This amount was paid in the first quarter of fiscal 2008.

These transactions were recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. 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 March 31, 2008, monetary assets were \$4,371,042 and monetary liabilities were \$3,684,939, resulting in net monetary assets in the amount of \$686,103 were denominated in US dollars.

Fair value

At March 31, 2008 and 2007, the estimated fair values of cash and cash equivalents, accounts receivable and other receivables, and accounts payable and accrued liabilities approximate their respective carrying values due to their short term nature.

At March 31, 2008 the estimated fair value of the Company's subordinated debt is not estimated to be different from its carrying value.

Credit Risk

The Company is exposed to credit risk in the normal course of operations. This credit risk consists of cash equivalents and accounts receivable. The cash equivalents consist mainly of short-term investments, such as money market deposits. The Company has deposited the cash equivalents with a large and reputable financial institution, from which management believes the risk of loss to be remote. The Company has accounts receivable from clients engaged mainly in the health care industry. The Company's clients vary and include small practices, large enterprises, hospitals and government agencies. The Company does not believe that the health care industry nor a material portion of its clients represent significant credit risk.

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18. SEGMENT INFORMATION

During the period ended March 31, 2008, the Company operated within a single operating segment across two geographic regions. Information with respect to these geographic areas is as follows:

	Year Ended March 31, 2008	Year Ended March 31, 2007
Revenue from continuing operations		
Canada	\$ 5,841,157	\$ 4,057,280
United States	<u>13,034,399</u>	<u>9,956,828</u>
	<u>\$ 18,875,556</u>	<u>\$ 14,014,108</u>
	As at March 31, 2008	As at March 31, 2007
Property and equipment and goodwill from continuing operations		
Canada	\$ 2,250,048	\$ 1,606,647
United States	<u>4,164,627</u>	<u>7,077,945</u>
	<u>\$ 6,414,675</u>	<u>\$ 8,684,592</u>

Financial results for Discontinued Operations (Note 4) were limited to the United States geographic region.

19. COMMITMENTS

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

Fiscal Year	Amount
2009	\$ 655,571
2010	501,639
2011	503,453
2012	436,884
2013	223,512
2014 and thereafter	305,877

20. 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.

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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 year ended March 31, 2008 and its comprehensive loss equaled 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 March 31, 2008.

**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 year ended March 31, 2008 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.
- 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 year ended March 31, 2008.

Recent accounting pronouncements

The CICA has issued Handbook Section 1535, "Capital Disclosures," Section 3862 "Financial Instruments-Disclosures," and Section 3863, "Financial Instruments-Presentation." Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose will be to enable users of the

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financial statements to evaluate objectives, policies and processes for managing capital. Section 3862 and 3863 will replace 3861, "Financial Instruments – Disclosure and Presentation," revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections will place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These sections apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company plans to adopt this new guidance effective April 1, 2008. These standards will impact disclosure provided by the Corporation but will not impact its financial position, results of operations or cash flows.

In May 2007, the CICA issued Handbook Section 3031, which replaces the existing Section 3030 "Inventories." The standard introduces changes to the measurement and disclosure of inventory and converges with international accounting standards. This standard is effective for interim and annual periods related to fiscal years beginning on or after January 1, 2008. The Company plans to adopt this new guidance effective April 1, 2008. The Company is currently assessing the effect that this guidance may have on its results of operations or cash flows.

In February 2008, CICA issued Handbook Section 3062 "Goodwill and Intangible Assets", which replaces the existing Sections 3062 "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs." The new standard introduces changes to recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of International Financial Reporting Standard IAS 38, "Intangible Assets." The new standard also provides guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 with earlier adoption encouraged. The Corporation is currently assessing the impact of this standard may have on its financial positions, results of operations or cash flow.

In May 2007, the Accounting Standards Board ("AcSB") amended Section 1400, General Standards of Financial Statement Presentation, to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet dates. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. These amendments are effective for the Company for annual periods beginning after January 1, 2008. The Corporation plans to adopt this new guidance effective April 1, 2008. The Company does not expect the adoption of this guidance to have a material impact on its financial position, results of operations or cash flows.

21. INCOME TAXES

The tax effect of temporary differences that give rise to significant components of the Company's future income tax assets and future income tax liabilities at March 31 are presented below:

	Year Ended March 31, 2008	Year Ended March 31, 2007
Future income tax assets (liabilities)		
Non-capital losses	\$ 8,324,182	\$ 3,679,199
Deductible share issue costs	937,358	737,278
Intangible assets	(2,090,000)	-
Excess of book value of property and equipment over tax value	124,159	(122,489)
Other	793,643	-
	<u>8,089,020</u>	<u>4,293,988</u>
Valuation allowance	<u>\$ (8,089,020)</u>	<u>\$ (4,293,988)</u>
Net future tax assets	<u>-</u>	<u>-</u>

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In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will not be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. A valuation allowance was provided against the net future income tax assets as at March 31, 2008 and 2007 due to the uncertainty as to their ultimate realization.

Tax expense

On the acquisition of VantageMed in April 2007, the Company recorded a full valuation allowance against all tax loss carryforwards of VantageMed. Upon the sale of Helper (see note 4) in February 2008, approximately \$3.3 million of the valuation allowance was recognized as a reduction of the goodwill and intangibles acquired on the acquisition of VantageMed and as a non-cash future tax expense.

The sale of Helper resulted in a taxable gain of approximately \$11 million. The Company was able to apply \$8.3 million of loss carryforwards against the taxable gain and recorded a current tax provision of \$0.9 million relating to the remaining unsheltered portion of the taxable gain. In addition, during the year the Company recorded a \$0.4 million tax provision related to estimated withholding taxes payable.

U.S Income tax losses carried forward

The company has U.S. net operating loss carryforwards from years prior to the Company's acquisition by Nightingale in fiscal 2008 of approximately \$41.0 million. The amount of these losses that can be used in future years is limited under the change of ownership rules in the U.S. tax law to \$530,000 per year. Because there is a 20 year carryforward period for U.S. net operating losses, the total amount that can be used prior to the expiration of the losses is \$10.6 million. The losses will expire from 2019 to 2028. No benefit in respect of the potential application of these losses has been recorded in the consolidated financial statements.

The Company has approximately \$25 million of non-capital income tax losses available to reduce the future taxable income. Approximately \$3,100,000 of these losses expire between 2012 and 2014 and approximately \$21,900,000 expire between 2019 and 2028.

22. 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.