



**NIGHTINGALE INFORMATIX CORPORATION**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
For the three month period ended June 30, 2009**

*The accompanying unaudited interim consolidated financial statements and notes to financial statements of Nightingale Informatix Corporation have not been reviewed by the Company's auditors.*

<b>INDEX</b>	<b>Page</b>
Consolidated Statement of Operations and Comprehensive Loss	1
Consolidated Statement of Deficit	2
Consolidated Balance Sheet	3
Consolidated Statement of Cash Flows	4
Notes to the Consolidated Financial Statements	5 – 12

NIGHTINGALE INFORMATIX CORPORATION

INTERIM CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)  
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

	3 months ended June 30, 2009	3 months ended June 30, 2008
<b>Revenue</b>	\$ 4,130,220	\$ 4,945,587
<b>Cost of sales</b>	<u>1,193,602</u>	<u>1,276,809</u>
<b>Gross profit</b>	<u>2,936,618</u>	<u>3,668,778</u>
<b>Expenses</b>		
General and administration	765,926	852,579
Sales and marketing	424,421	696,897
Research and development	732,148	1,061,720
Client services	991,094	1,293,533
Stock based compensation	25,349	43,593
Amortization	<u>568,569</u>	<u>612,302</u>
	<u>3,507,507</u>	<u>4,560,624</u>
<b>Operating loss</b>	<u>(570,889)</u>	<u>(891,846)</u>
Interest, note 7	316,408	356,027
Foreign currency loss (gain)	<u>(43,521)</u>	<u>11,996</u>
<b>Loss and comprehensive loss</b>	<u>\$ (843,776)</u>	<u>\$ (1,259,869)</u>
<b>Basic and diluted loss per common share</b>	\$ (0.01)	\$ (0.02)
Weighted average number of common shares	<u>69,322,220</u>	<u>67,478,540</u>

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

NIGHTINGALE INFORMATIX CORPORATION

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)  
AS AT JUNE 30, 2009

	As at June 30, 2009	As at March 31, 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,477,741	\$ 3,514,056
Accounts receivable	2,344,388	2,324,377
Other receivables	15,765	21,218
Inventory	44,915	62,182
Prepaid expenses	559,524	448,275
	<u>5,442,333</u>	<u>6,370,108</u>
<b>Long-term assets</b>		
Deferred costs	116,760	129,104
Property and equipment	1,035,162	1,216,596
Intangible assets	5,126,547	5,497,436
Goodwill	4,692,399	4,692,399
	<u>10,970,868</u>	<u>11,535,535</u>
<b>Total assets</b>	<u>\$ 16,413,201</u>	<u>\$ 17,905,643</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,994,544	\$ 3,693,844
Income taxes payable	875,151	948,701
Current portion of deferred revenue	4,052,593	3,935,954
Current portion of capital lease obligations	138,831	178,655
	<u>8,061,119</u>	<u>8,757,154</u>
<b>Long term liabilities</b>		
Subordinated debt, note 3	4,843,569	4,938,425
Deferred revenue	1,228,860	1,296,842
Capital lease obligations	236,321	281,463
	<u>6,308,750</u>	<u>6,516,730</u>
<b>Total liabilities</b>	<u>14,369,869</u>	<u>15,273,884</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock, note 4	28,348,960	27,596,692
Contributed surplus, note 5	4,246,950	3,274,607
Warrants, note 6	-	1,469,262
Deficit	(30,552,578)	(29,708,802)
	<u>2,043,332</u>	<u>2,631,759</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 16,413,201</u>	<u>\$ 17,905,643</u>

Approved on behalf of the Board of Directors:

\_\_\_\_\_ "Samer Chebib" Director

\_\_\_\_\_ "David Atkins" Director

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

**NIGHTINGALE INFORMATIX CORPORATION**

**INTERIM CONSOLIDATED STATEMENT OF DEFICIT (Unaudited)  
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009**

	<b>3 months ended June 30, 2009</b>	<b>3 months ended June 30, 2008</b>
Deficit, beginning of the period	\$ (29,708,802)	\$ (25,077,276)
Loss and comprehensive loss	<u>(843,776)</u>	<u>(1,259,869)</u>
Deficit, end of the period	<u><u>\$ (30,552,578)</u></u>	<u><u>\$ (26,337,145)</u></u>

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

NIGHTINGALE INFORMATIX CORPORATION

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)  
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

	3 months ended June 30, 2009	3 months ended June 30, 2008
<b>Cash flow from operating activities</b>		
Loss and comprehensive loss	\$ (843,776)	\$ (1,259,869)
Adjustments for:		
Amortization	568,569	612,302
Amortization of transaction costs related to debt financing	33,525	33,525
Stock based compensation	25,349	43,592
Foreign currency loss (gain)	(116,361)	11,996
Interest accretion	101,619	127,777
	<u>(231,075)</u>	<u>(430,677)</u>
<i>Changes in non-cash working capital balances</i>		
Accounts receivable	(144,661)	355,954
Prepaid expenses	(111,249)	(65,135)
Inventory	17,267	59,981
Deferred costs	12,344	46,691
Other receivables	5,244	580,229
Accounts payable and accrued liabilities	(570,554)	(359,916)
Income taxes payable	(54,273)	-
Deferred revenue	48,657	(664,373)
Cash flows used in operating activities	<u>(1,028,300)</u>	<u>(477,246)</u>
<b>Cash flow from investing activities</b>		
Purchase of property and equipment	<u>(16,246)</u>	<u>(61,221)</u>
Cash flows used in investing activities	<u>(16,246)</u>	<u>(61,221)</u>
<b>Cash flow from financing activities</b>		
Repayment of capital lease obligations	<u>(76,388)</u>	<u>(102,632)</u>
Cash flows used in financing activities	<u>(76,388)</u>	<u>(102,632)</u>
Foreign exchange gains on cash in foreign currency	84,619	26,559
Decrease in cash during the period	(1,036,315)	(614,540)
Cash and cash equivalents, beginning of period	<u>3,514,056</u>	<u>5,033,746</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 2,477,741</u>	<u>\$ 4,419,206</u>
Supplemental cash flow information:		
Interest paid	\$ 182,627	\$ 221,410
Income taxes paid	\$ 54,273	\$ -

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

## **1. BUSINESS DESCRIPTION AND BASIS OF PRESENTATION**

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 healthcare industry in Canada and the United States.

The accompanying interim consolidated financial statements of Nightingale 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 June 30, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2010. 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 2009.

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, 2009, except as described in Note 2 below.

## **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 conform 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 the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

### **Recent accounting pronouncements**

#### **(i) Canadian Standards**

In February 2008, CICA issued Handbook Section 3064 "Goodwill and Intangible Assets", which replaced Sections 3062 "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs." The new standard introduced 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. The Company adopted this new guidance effective April 1, 2009. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

**(ii) Convergence with International Financial Reporting Standards**

On February 13, 2008, Canada's Accounting Standards Board ("AcSB") confirmed the date of changeover from GAAP to International Financial Reporting Standards ("IFRS"). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently in the preliminary stages of its IFRS conversion plan.

**3. SUBORDINATED DEBT**

The subordinated debt was originally issued in April 2007 to Wellington Financial LP and included Export Development Canada, a Limited Partner in Wellington Financial Fund III (the "Lenders"). The debt bears interest at a rate of 12.75% per annum, payable monthly and was scheduled to mature in March 2010. Nightingale had also provided the Lenders with 7,994,186 special warrants convertible into common shares at a price of \$0.43 per share for five years.

In the second quarter of fiscal 2009, the Company experienced a breach of a financial covenant under the loan agreement with its lenders. The Company received a waiver of the breach from the lenders and certain covenants and other terms of the subordinated debt agreement were amended and consideration of approximately \$230,000 was committed to the lenders. This consideration was amortized to interest expense over the remaining debt term and approximately \$0.08 million was expensed in the year ended March 2009. In May 2009, in conjunction with the share issuance described in Note 4, this commitment to the lenders was satisfied.

In May 2009, the Company amended its debt financing agreements with the Lenders and agreed to issue to the Lenders an aggregate of 2,858,663 common shares and cancel the 7,994,186 warrants held by the Lenders. The issuance of the shares settled the commitment described above related to the covenant breach in fiscal 2009.

The issuance of shares and cancellation of warrants have been approved by TSX Venture Exchange. The common shares are subject to a four-month hold period expiring on September 8, 2009.

In July 2009, the Company amended its debt financing agreements to extend the term through July 2012 at which point the remaining principal balance of \$5,250,000 will be due. Certain terms and covenants were also amended in July 2009 and the Company agreed to issue 4,233,870 warrants with a strike price of \$0.31 per share and with an expiration date of July 29, 2012. Such warrants received TSXV approval in July 2009.

**4. CAPITAL STOCK**

**a. Authorized**

Unlimited	Preference shares
Unlimited	Common shares

**b. Common shares issued and outstanding**

	Number	Amount
Balance as at March 31, 2009 (1)	<u>67,666,557</u>	<u>\$ 27,596,692</u>
Issued on cancellation of warrants and settlement of commitment (see Note 3)	2,858,663	714,658
Issued to an officer of the Company	94,008	37,610
Cancelled on departure of an officer of the Company	<u>(84,685)</u>	<u>-</u>
Balance as at June 30, 2009 (2)	<u>70,534,543</u>	<u>\$ 28,348,960</u>

**NIGHTINGALE INFORMATIX CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009**

(1) As at March 31, 2009, 1,666,667 common shares issued upon the purchase of HealtheNet were excluded from the balance outstanding as the shares are subject to a performance escrow period ending in fiscal 2010. In addition, 376,033 restricted shares to officers of VantageMed remained issued and outstanding and were excluded from the above balance due to their unvested status. These shares have restricted terms based on continued employment over a three year period, with the restriction ending in April 2010. The total common shares outstanding at March 31, 2009 were 69,709,257.

(2) As at June 30, 2009, 94,008 restricted shares to officers of VantageMed remained issued and outstanding and were excluded from the above balance due to their unvested status. Including the 1,666,667 common shares issuable on the HealtheNet acquisition and the remaining restricted shares of 94,008, the total common shares outstanding at June 30, 2009 were 72,295,218.

**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.

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

	Number of Stock Options	Weighted Average Exercise Price
Balance as at March 31, 2009	3,166,318	\$ 0.60
Cancelled / Expired	<u>(25,000)</u>	<u>0.26</u>
Balance as at June 30, 2009	<u>3,141,318</u>	<u>\$ 0.61</u>

**ii. Summarized information relative to stock options outstanding**

Exercise Price	Number Outstanding as at June 30, 2009	Exercisable	Remaining Contracted Life (Years)
\$0.26	1,029,000	-	4.08
0.45	1,293,349	919,757	3.05
0.91	47,469	47,469	0.51
1.00	249,000	186,750	1.17
1.25	99,500	90,250	2.28
1.50	<u>423,000</u>	<u>367,250</u>	1.52
	<u>3,141,318</u>	<u>1,611,476</u>	

**5. 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

**NIGHTINGALE INFORMATIX CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009**

are exercised, contributed surplus is 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 period ended June 30, 2009 is as follows:

	<b>Amount</b>
Balance as at March 31, 2009	\$ 3,274,607
<i>STOCK OPTIONS</i>	
Stock compensation expense	<u>15,950</u>
<i>RESTRICTED SHARE GRANT</i>	
Stock compensation expense	9,400
Transfer to common shares on release of restrictions on restricted stock	<u>(37,610)</u>
<i>WARRANTS AND SETTLEMENT OF COMMITMENT</i>	
Consideration and excess value of cancelled warrants (1)	<u>984,603</u>
Balance as at June 30, 2009	<u>\$ 4,246,950</u>

(1) In May 2009, the Company amended its debt financing agreements with Wellington Financial LP and Export Development Canada ("the Lenders") and agreed to issue to the Lenders an aggregate of 2,858,663 common shares and cancel the 7,994,186 warrants held by such Lenders as further described in Note 3. The amount classified to contributed surplus is equal to the consideration of \$230,000 committed to the lenders as well as the excess value of the cancelled warrants over the value of the common shares issued.

**6. WARRANTS**

The fair value of Warrants was estimated using the Black-Scholes option pricing model and changes in Warrants for the period ended June 30, 2009 are as follows:

	<b>Number</b>	<b>Amount</b>	<b>Weighted Average Exercise Price</b>
Balance as at March 31, 2009	7,994,186	\$ 1,469,262	\$ 0.43
Cancelled (1)	<u>(7,994,186)</u>	<u>(1,469,262)</u>	0.43
Balance as at June 30, 2009	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>

(1) In May 2009, the Company amended its debt financing agreements with Wellington Financial LP and Export Development Canada ("the Lenders") and agreed to issue to the Lenders an aggregate of 2,858,663 common shares and cancel the 7,994,186 warrants held by such Lenders as further described in Note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

7. INTEREST

	3 months ended June 30, 2009	3 months ended June 30, 2008
Interest on capital lease obligations	\$ 12,631	\$ 20,246
Interest on subordinated debt	166,885	198,131
Transaction costs on subordinated debt	33,525	33,525
Interest accretion on subordinated debt	101,619	127,777
Interest income	(1,362)	(26,686)
Other interest	3,110	3,034
	<u>\$ 316,408</u>	<u>\$ 356,027</u>

8. FINANCIAL INSTRUMENTS AND RISKS

The Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3862, “Financial Instruments - Disclosures,” requires disclosures relating to: (i) the significance of financial instruments for financial position and performance; and (ii) the nature and extent of the Company’s exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk, and how the Company manages those risks.

Under Canadian GAAP, financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity, available for sale, loans and receivables, and other financial liabilities. The following table summarizes information regarding the carrying value of the Company’s financial instruments:

	As at June 30, 2009	As at March 31, 2009
Held for trading (i)	\$ 2,477,741	\$ 3,514,056
Loans and receivables (ii)	\$ 2,360,153	\$ 2,345,595
Other financial liabilities (iii)	\$ 7,838,113	\$ 8,632,269

- (i) Includes cash and cash equivalents
- (ii) Includes accounts receivable and other receivables
- (iii) Includes financial liabilities included in accounts payable and accrued liabilities and subordinated debt

**Liquidity risk**

The Company has sustained losses and negative cash flows from operations over the past four years. At June 30, 2009, the Company has approximately \$2.5 million of cash and cash equivalents. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they are due. The Company achieves this by maintaining sufficient cash and cash equivalents. The Company monitors its financial position on a monthly basis and updates its expected use of cash resources based on the latest available data. The accounts payable and accrued liabilities will mature within the next twelve months.

There are uncertainties related to the timing and use of the Company’s cash resources. These uncertainties include, but are not limited to, the volume of sales, customer acceptance of its solutions, ability to control operating expenses and secure financing for capital expenditures and the fluctuation of the exchange rates. As a result, the Company may need to seek additional equity or debt financing, which could include additional lines of credit, if available. These uncertainties could impact the ability of the Company to meet the covenants of its subordinated debt as described in Note 3 and may require the Company to seek a waiver of a covenant breach or an amendment of its debt agreement. There is no assurance that the Company will be successful in its financing efforts or that they will be sufficient. If adequate funds are not available, the Company’s ability to fund operations will be impacted.

**NIGHTINGALE INFORMATIX CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009**

**Credit risk**

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from customers. However, the Company has a significant number of customers, which mitigates concentration of credit risk. In the quarter ended June 30, 2009, one large customer accounted for 11% of total revenues (9% in the quarter ended June 30, 2008) and 19% of accounts receivable (22% at March 31, 2009). A second customer accounted for 11% of total revenue in the quarter ended June 30, 2009 (8% in the quarter ended June 30, 2008) and 6% of accounts receivable (1% at March 31, 2009). A third customer accounted for 8% of total revenue in the quarter ended June 30, 2009 (2% in the quarter ended June 30, 2008) and 15% of accounts receivable (14% at March 31, 2009). In order to minimize the risk of loss for trade receivables the Company's extension of credit to customers involves review and approval by senior management as well as progress payments as contracts are executed. The Company's objective is to minimize its exposure to credit risk from customers in order to prevent losses on financial assets by performing regular monitoring of overdue balances. The Company also provides an allowance for potentially uncollectible accounts receivable.

While the Company has credit controls and processes for the purpose of mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective, or that the Company's low credit loss experience will continue. Payment terms on most invoices range between 30 to 60 days.

The Company reviews its trade receivable accounts regularly and writes them down to their expected realizable values, by making an allowance for doubtful receivables, as soon as the account is determined not to be fully collectible, which is done based on management's evaluation of the situation on a customer by customer basis. The Company's assessment of outstanding receivables from customers is primarily based on the Company's assessment of the creditworthiness of the customer as well as historical trends and any available relevant information on the customers' liquidity. The allowance is charged against earnings and shortfalls in collections are applied against this provision.

The Company's trade receivables have a gross value of \$2.6 million as at June 30, 2009, representing the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers call for payment within the range of 30 to 60 days. The amount of accounts receivable that is greater than 90 days past due that is not offset by deferred revenue or already reserved for is approximately \$0.2 million as of June 30, 2009 and March 31, 2009, respectively.

The Company's exposure to credit risk for trade receivables by geographic area as at June 30, 2009 was as follows:

Canada	\$ 795,636	34%
United States	<u>1,548,752</u>	<u>66%</u>
	<u>\$ 2,344,388</u>	<u>100%</u>

The activity of the allowance for doubtful accounts for the period is as follows:

	<b>3 months ended June 30, 2009</b>	<b>3 months ended June 30, 2008</b>
Allowance for doubtful accounts – beginning of period	\$ 350,157	\$ 458,519
Bad debt expense	-	-
Write-off of bad debts	<u>(15,430)</u>	<u>(21,246)</u>
Allowance for doubtful accounts – end of period	<u>\$ 334,727</u>	<u>\$ 437,273</u>

The Company may also have credit risk relating to cash and cash equivalents, which it manages by dealing with large chartered banks in Canada and the United States and investing in highly liquid investments. The Company's objective is to minimize its exposure to credit risk in order to prevent losses on financial assets by

## NIGHTINGALE INFORMATIX CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

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placing its investments in highly liquid investments such as money market funds. The Company's cash and cash equivalents carrying value is \$2,477,741, representing the maximum exposure to credit risk of these financial assets. Approximately 87% of the Company's cash and cash equivalents at June 30, 2009 were held by two financial institutions. The Company's exposure to credit risk relating to cash and cash equivalents, segmented by geographic area as at June 30, 2009 was as follows:

Canada	76%
United States	24%
	<u>100%</u>

#### **Foreign currency risk**

Foreign currency risk arises because of fluctuations in exchange rates. The Company conducts a significant portion of its business activities in US dollars. Portions of revenues and expenses were denominated in US dollars. The Company's financial assets and financial liabilities that are denominated in foreign currencies are affected by changes in the exchange rate between the Canadian dollar and the US dollar. As at June 30, 2009, monetary assets were \$2,976,367 and monetary liabilities were \$2,739,582, resulting in net monetary assets in the amount of \$236,785 denominated in US dollars.

If a shift in foreign exchange rates of 10% were to occur, the exchange gain or loss on the net financial assets could be plus or minus \$25,000 due to exchange rate fluctuations and this amount would be recorded in the consolidated statements of operations.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by transacting with third parties in US dollars and Canadian dollars to the maximum extent possible and practical.

#### **Interest rate risk**

Interest rate risk arises because of the fluctuation in interest rates. The Company's objective in managing interest rate risk is to maximize the return on its cash and cash equivalents. The Company is subject to interest rate risk on its cash and cash equivalents and debt. If a shift in interest rates of 10% were to occur, the impact on cash and cash equivalents and short-term investments and the related net loss for the period could be plus or minus less than \$1,000.

#### **Fair value**

At June 30, 2009 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 June 30, 2009 the fair value of the Company's subordinated debt is estimated to be equal to its carrying value.

#### **Management of capital**

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy, fund research and development, and undertake selective acquisitions.

The Company's capital is composed of share capital and subordinated debt. The Company's primary uses of capital are to finance operating losses and increases in non-cash working capital and capital expenditures. The Company currently funds these requirements from cash raised through past share and debt issuances. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity so it can provide its services to its customers and returns to its shareholders.

The Company monitors its capital on the basis of the adequacy of its cash resources to fund its business plan. In order to maximize its access to working capital, the Company does not currently pay a dividend to holders of its common shares.

**NIGHTINGALE INFORMATIX CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009**

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Pursuant to the Company's subordinated debt agreements, as amended in July 2009 (note 3), the Company is subject to certain covenants with respect to its balance sheet and financial performance.

**9. SEGMENT INFORMATION**

During the 3 months ended June 30, 2009, the Company operated within a single operating segment across two geographic regions. Information with respect to these geographic areas is as follows:

	<b>3 months ended June 30, 2009</b>	<b>3 months ended June 30, 2008</b>
<b>Revenue</b>		
Canada	\$ 925,500	\$ 1,810,745
United States	3,204,720	3,134,842
	<u>\$4,130,220</u>	<u>\$ 4,945,587</u>
	<b>As at June 30, 2009</b>	<b>As at March 31, 2009</b>
<b>Property and equipment and goodwill</b>		
Canada	\$ 1,638,605	\$ 1,787,838
United States	4,088,956	4,121,157
	<u>\$ 5,727,561</u>	<u>\$ 5,908,995</u>

**10. 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.