



NIGHTINGALE INFORMATIX CORPORATION

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the three month period ended June 30, 2010**

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.

INDEX	Page
Consolidated Statement of Operations and Comprehensive Loss	1
Consolidated Balance Sheet	2
Consolidated Statement of Deficit	3
Consolidated Statement of Cash Flows	4
Notes to the Consolidated Financial Statements	5 – 14

**INTERIM CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)
FOR THE THREE MONTH PERIODS ENDED JUNE 30**

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Revenue	\$ 4,401,490	\$ 4,130,220
Cost of sales	<u>868,121</u>	<u>1,193,602</u>
Gross profit	<u>3,533,369</u>	<u>2,936,618</u>
Expenses		
General and administration	775,409	765,926
Sales and marketing	631,404	424,421
Research and development	678,264	732,148
Client services	832,004	991,094
Stock based compensation	23,595	25,349
Amortization	<u>419,266</u>	<u>568,569</u>
	<u>3,359,942</u>	<u>3,507,507</u>
Operating profit / (loss)	<u>173,427</u>	<u>(570,889)</u>
Interest, note 8	176,347	316,408
Foreign currency gain	<u>(10,988)</u>	<u>(43,521)</u>
Profit / (loss) before tax	8,068	(843,776)
Current tax expense	<u>17,072</u>	<u>-</u>
Loss and comprehensive loss	<u>\$ (9,004)</u>	<u>\$ (843,776)</u>
Basic and diluted earnings (loss) per common share		
Loss and comprehensive loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares	<u>72,808,928</u>	<u>69,322,220</u>

NIGHTINGALE INFORMATIX CORPORATION

INTERIM CONSOLIDATED BALANCE SHEETS (Unaudited)
AS AT JUNE 30, 2010 and MARCH 31, 2010

	June 30, 2010	March 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,606,669	\$ 1,798,247
Accounts receivable	3,037,056	2,626,757
Other receivables	32,615	134,459
Inventory	26,835	30,708
Prepaid expenses	665,685	454,070
	<u>7,368,860</u>	<u>5,044,241</u>
Long-term assets		
Deferred costs	83,385	83,385
Property and equipment	742,711	821,243
Intangible assets	3,978,633	4,010,143
Goodwill	4,692,399	4,692,399
	<u>9,498,128</u>	<u>9,607,170</u>
Total assets	<u>\$ 16,866,988</u>	<u>\$ 14,651,411</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,969,446	\$ 2,549,237
Income taxes payable	734,966	705,940
Current portion of deferred revenue	4,009,431	3,488,382
Current portion of capital lease obligations	260,939	296,649
	<u>7,974,782</u>	<u>7,040,208</u>
Long term liabilities		
Subordinated debt, note 4	5,250,000	5,250,000
Deferred revenue	1,795,463	1,750,644
Capital lease obligations	183,051	211,578
	<u>7,228,514</u>	<u>7,212,222</u>
Total liabilities	<u>15,203,296</u>	<u>14,252,430</u>
SHAREHOLDERS' EQUITY		
Capital stock, note 5	29,636,683	28,348,960
Contributed surplus, note 6	4,487,019	4,501,027
Warrants, note 7	701,452	701,452
Deficit	(33,161,462)	(33,152,458)
	<u>1,663,692</u>	<u>398,981</u>
Total liabilities and shareholders' equity	<u>\$ 16,866,988</u>	<u>\$ 14,651,411</u>

Approved on behalf of the Board of Directors:

_____"Samer Chebib"_____
Director

_____"David Atkins"_____
Director

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

	2010	2009
Deficit, beginning of the period	\$ (33,152,458)	\$ (29,708,802)
Loss and comprehensive loss	<u>(9,004)</u>	<u>(843,776)</u>
Deficit, end of the period	<u>\$ (33,161,462)</u>	<u>\$ (30,552,578)</u>

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE MONTH PERIODS ENDED JUNE 30**

	2010	2009
Cash flow from operating activities		
Loss and comprehensive loss	\$ (9,004)	\$ (843,776)
Adjustments for:		
Amortization	419,266	568,569
Amortization of transaction costs related to debt financing	-	33,525
Stock based compensation	23,595	25,349
Foreign currency loss / (gain)	-	(116,361)
Interest accretion	-	101,619
	<u>535,436</u>	<u>(231,075)</u>
<i>Changes in non-cash working capital balances</i>		
Accounts receivable	(362,702)	(144,661)
Prepaid expenses	(211,615)	(111,249)
Inventory	3,872	17,267
Deferred costs	-	12,344
Other receivables	102,430	5,244
Accounts payable and accrued liabilities	323,443	(570,554)
Income taxes payable	29,026	(54,273)
Deferred revenue	565,868	48,657
Cash flows provided by / (used in) operating activities	<u>985,758</u>	<u>(1,028,300)</u>
Cash flow from investing activities		
Purchase of property and equipment	(54,388)	(16,246)
Capitalized development costs	(252,386)	-
Cash flows used in investing activities	<u>(306,774)</u>	<u>(16,246)</u>
Cash flow from financing activities		
Issuance of common shares	1,250,120	-
Repayment of capital lease obligations	(68,990)	(76,388)
Cash flows provided by / (used in) financing activities	<u>1,181,130</u>	<u>(76,388)</u>
Foreign exchange (loss) / gains on cash in foreign currency	(51,692)	84,619
Increase / (Decrease) in cash during the period	1,808,422	(1,036,315)
Cash and cash equivalents, beginning of period	<u>1,798,247</u>	<u>3,514,056</u>
Cash and cash equivalents, end of period	<u>\$ 3,606,669</u>	<u>\$ 2,477,741</u>
Supplemental cash flow information:		
Interest paid	\$ 176,860	\$ 182,626
Income taxes paid	\$ 25,895	\$ 54,273

NIGHTINGALE INFORMATIX CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2010 (UNAUDITED)

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, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2011. 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 2010.

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, 2010, except as described in Note 3 below.

2. DEBT AND PRIVATE PLACEMENT FINANCING AND SUBSEQUENT EVENT

In April 2010, the Company completed a comprehensive debt and private placement financing. The completed financing transactions included a US \$1 million revolving line of credit and a CAD \$2 million term loan for aggregate proceeds of approximately \$3 million (collectively, the "Senior Loan Facility"). The Company also issued an aggregate of 5,682,364 common shares of the Company at a price of \$0.22 per Common Share for gross proceeds of \$1.25 million (the "Common Share Offering") and concurrently issued 2,074 subscription receipts ("Subscription Receipts") for gross proceeds of \$2.074 million (the "Subscription Receipt Offering"), all on a non-brokered private placement basis. The gross proceeds from the issuance of the Common Shares of \$1.25 million were included in the Company's cash balance as of June 30, 2010.

Subsequent to quarter end, in July 2010, the Company repaid its subordinated debt in full using proceeds from the CAD \$2 million term loan, proceeds from the \$2,074 million convertible unsecured debentures and proceeds from the private placement of common stock that was completed in April 2010. When the subordinated debt was repaid, the holder of each Subscription Receipt received, without additional consideration, convertible unsecured subordinated debentures in the aggregate principal amount of \$1,000 (the "Debentures").

The above transactions impacted the Company's financial results as follows:

- (1) The subordinated debt was removed.
- (2) The current portion of the new term loan was included in current liabilities.
- (3) The long term portion of the new term loan and the Debentures were included in long term liabilities.
- (4) The equity portion of the Debentures were included in shareholder's equity.

The Debentures bear interest at a rate of 12% per annum, payable monthly and are scheduled to mature in July 2013. Following the first year anniversary of the Debentures, the Company has the right to redeem the Debentures, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest. The Debentures are convertible at the holder's option into fully-paid Common Shares at any time prior to maturity or redemption at a conversion price of \$0.35 per share.

3. 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 changes

Multiple deliverable revenue arrangements

Effective April 1, 2010, the Company adopted EIC 175, Multiple Deliverable Revenue Arrangements. This abstract was amended to (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the manner in which consideration should be allocated to each deliverable; (2) provide that in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, require that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011 with early adoption permitted.

The Company has elected to early adopt this abstract prospectively to revenue arrangements with multiple deliverables entered into on or after April 1, 2010.

In the past, for arrangements involving multiple elements, the Company allocated revenue to each component of the arrangement using the residual value method, based on vendor-specific objective evidence of the fair value of the undelivered elements. EIC 175 has eliminated the use of the residual value method, and therefore, effective April 1, 2010, the Company has allocated revenue using the relative selling price method of the separate units of accounting. The Company allocates the arrangement fee, in a multiple element transaction, to the separate elements based on their relative selling prices, as indicated by vendor-specific objective evidence or third-party evidence of selling price, and if both are not available, the best estimated selling price.

The adoption of EIC 175 does not impact the Company's existing method of establishing units of accounting nor the timing of revenue recognition of the arrangement consideration.

The adoption of EIC 175 has not materially affected the financial statements as of June 30, 2010 and is not expected to have material impact in future periods to the extent that the Company continues to enter into similar revenue arrangements.

Recent accounting pronouncements not yet adopted

The following accounting pronouncements have been released but have not yet been adopted by the Company.

NIGHTINGALE INFORMATIX CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2010 (UNAUDITED)

(a) International Financial Reporting Standards ("IFRS"):

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards (IFRS) will replace Canadian GAAP for publicly accountable profit-oriented enterprises for years beginning on or after January 1, 2011. IFRS is effective for the Company's first quarter ended June 30, 2011, with comparative data also prepared under IFRS. The Company is currently working through its plan as noted in the MD&A.

(b) Business combinations:

In January 2009, the CICA issued Section 1582, "Business Combinations", replacing Section 1581, "Business Combinations". This section establishes the standards for the accounting of business combinations and states that all assets and liabilities of an acquired business will be recorded at fair value at the date of acquisition. The standard also states that the acquisition-related costs will be expensed as incurred and that the restructuring charges will be expensed in the periods after the acquisition date. This new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is evaluating the impact of adopting this new standard in connection with its conversion to IFRS.

(c) Consolidated financial statements:

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is evaluating the impact of adopting this new standard in connection with its conversion to IFRS.

(d) Non-controlling interests in consolidated financial statements:

In January 2009, the CICA issued Handbook Section 1602, "Noncontrolling interests in Consolidated Financial Statements". This section specifies that noncontrolling interests be treated as a separate component of equity, not as a liability or other item outside of equity. Section 1602 is effective for periods beginning on or after January 1, 2011 and will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. The Company is evaluating the impact of adopting this new standard in connection with its conversion to IFRS.

4. 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 quarter ended September 2008, 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. Approximately \$0.08 million of this consideration was amortized to interest expense in the year ended March 2009 and the balance was amortized in the year ended March 31, 2010.

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 in order to cancel the 7,994,186 warrants held by the Lenders and settle the \$230,000 liability. The issuance of shares and cancelation of warrants were approved by the TSX Venture Exchange.

NIGHTINGALE INFORMATIX CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2010 (UNAUDITED)**

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 would 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 August 2009.

The fair value of the Warrants was estimated to be \$701,452 using the Black-Scholes option pricing model with the following assumptions at the measurement date:

Risk-free rate	2.43%
Stock price on date of issuance	\$ 0.31
Expected volatility	81 %
Expected dividend yield	0 %
Estimated life of Warrants	3 years

The value of the warrants was booked as reduction of the carrying value of the subordinated debt and subsequently amortized to interest expense in the year ended March 31, 2010.

In March 2010, the Company breached a financial covenant under the loan agreement with its lenders. The Company received a waiver of the breach from the lenders and repaid the debt in full on July 29, 2010 with proceeds from the Company's debt and private placement financing as described more fully in note 2. Due to the Company's repayment of the debt in July 2010, the carrying value of the debt was equal to its face value at March 2010 and June 2010.

5. CAPITAL STOCK

a. Authorized

Unlimited	Preference shares
Unlimited	Common shares

b. Common shares issued and outstanding

	Number	Amount
Balance as at March 31, 2010	<u>70,534,543</u>	<u>\$ 28,348,960</u>
Issued of stock in private placement (see Note 2)	5,682,364	1,250,120
Issued to an officer of the Company	<u>94,008</u>	<u>37,603</u>
Balance as at June 30, 2010	<u><u>76,310,915</u></u>	<u><u>\$ 29,636,683</u></u>

As at March 31, 2010 94,008 restricted shares issued to an officer of the Company were issued and outstanding but were excluded from the above balances due to their unvested status at that time. These shares had restricted terms based on continued employment over a three year period and the restriction ended in April 2010.

In addition, 1,666,667 common shares issuable on the HealtheNet acquisition and subject to a performance escrow were excluded from the totals at March 31, 2010 and June 30, 2010. The performance escrow period ended in fiscal 2010 and these common shares are expected to be cancelled in the second quarter of fiscal 2011.

NIGHTINGALE INFORMATIX CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2010 (UNAUDITED)**

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, 2010	4,866,816	\$ 0.47
Balance as at June 30, 2010	4,866,816	\$ 0.47

ii. Summarized information relative to stock options outstanding

Exercise Price	Number Outstanding as at June 30, 2010	Exercisable	Remaining Contracted Life (Years)
\$0.26	942,500	235,625	3.18
0.27	1,946,967	956,967	4.09
0.45	1,249,349	1,010,599	2.07
1.00	242,500	242,500	0.17
1.25	99,500	96,375	1.28
1.50	386,000	386,000	0.53
	<u>4,866,816</u>	<u>2,928,066</u>	

6. 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 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, 2010 is as follows:

	Amount
Balance as at March 31, 2010	\$ 4,501,027
<i>STOCK OPTIONS</i>	
Stock compensation expense	<u>23,595</u>
<i>RESTRICTED SHARE GRANT</i>	
Transfer to common shares on release of restrictions on restricted stock	<u>(37,603)</u>
Balance as at June 30, 2010	<u>\$ 4,487,019</u>

NIGHTINGALE INFORMATIX CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2010 (UNAUDITED)**

7. WARRANTS

The fair value of Warrants was estimated using the Black-Scholes option pricing model and the Warrants outstanding and exercisable are as follows:

	Number	Amount	Weighted Average Exercise Price
Balance as at March 31, 2010	4,233,870	\$ 701,452	\$ 0.31
Balance as at June 30, 2010	4,233,870	\$ 701,452	\$ 0.31

8. INTEREST

	3 months ended June 30, 2010	3 months ended June 30, 2009
Interest accretion on debt warrants	\$ -	\$ 101,619
Transaction costs on subordinated debt	-	33,525
Non-cash interest expense	-	135,144
Interest on subordinated debt	166,885	166,885
Interest on capital lease obligations	9,189	12,631
Interest expense / (income)	(513)	(1,362)
Other interest	786	3,110
	<u>\$ 176,347</u>	<u>\$ 316,408</u>

9. RELATED PARTY TRANSACTIONS

One director participated in the Common Share Offering described in Note 2 with an investment totaling \$250,000. Three directors and one officer participated in the Subscription Receipts offering described in Note 2 with an aggregate investment totaling \$850,000.

At June 30, 2010 and June 30, 2009 the Company had a deferred compensation balance of \$47,386 and \$117,905 respectively payable to an officer and director of the Company. The balance is payable on demand and included in the balance of accounts payable and accrued liabilities.

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

10. 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.

NIGHTINGALE INFORMATIX CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2010 (UNAUDITED)

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, 2010	As at March 31, 2010
Held for trading (i)	\$ 3,606,669	\$ 1,798,247
Loans and receivables (ii)	\$ 3,069,671	\$ 2,761,216
Other financial liabilities (iii)	\$ 8,219,446	\$ 7,799,237

- (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

Fair values of financial instruments:

At June 30, 2010 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, 2010 the fair value of the Company's subordinated debt is estimated to be equal to its carrying value. See notes 2 and 4 for additional information regarding the carrying value of the Company's debt and the repayment of the debt in July 2010.

Liquidity risk

The Company has sustained losses and negative cash flows from operations over the past five years. At June 30, 2010, the Company has approximately \$3.6 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 and short-term investments. The Company monitors its financial position regularly and updates its expected use of cash resources based on the latest available data. The accounts payable and accrued liabilities classified as current liabilities are expected to be paid 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. These uncertainties could also impact the ability of the Company to meet the covenants of its subordinated debt as described in note 4 and loans described in note 2 and may require the Company to seek a waiver of a covenant breach or an amendment of its debt agreements.

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, 2010, one large customer accounted for 20% of total revenues and 26% of accounts receivable (17% at March 31, 2010). A second and a third customer each accounted for 11% of total revenue in the quarter ended June 30, 2009. A fourth customer accounted for 18% of accounts receivable at June 30, 2010 (10% at March 31, 2010) and a fifth customer accounted for 23% of accounts receivable at March 31, 2010.

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.

NIGHTINGALE INFORMATIX CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2010 (UNAUDITED)**

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 \$3.3 million and \$2.9 million as at June 30, 2010 and March 31, 2010 respectively, 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 and \$0.02 million as of June 30, 2010 and March 31, 2010, respectively.

The Company's exposure to credit risk for trade receivables by geographic area as at June 30, 2010 was as follows:

Canada	\$1,972,253	60%
United States	<u>1,294,109</u>	<u>40%</u>
	<u>\$ 3,266,362</u>	<u>100%</u>

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

	3 months ended June 30, 2010	3 months ended June 30, 2009
Allowance for doubtful accounts – beginning of period	\$ 228,432	\$ 350,157
Bad debt expense	-	-
Recoveries (write-off) of bad debts	<u>874</u>	<u>(15,430)</u>
Allowance for doubtful accounts – end of period	<u>\$ 229,306</u>	<u>\$ 334,727</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 placing its investments in highly liquid investments such as money market funds. The Company's cash and cash equivalents carrying value is \$3,606,669, representing the maximum exposure to credit risk of these financial assets. Approximately 88% of the Company's cash and cash equivalents at June 30, 2010 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, 2010 was as follows:

Canada	81%
United States	<u>19%</u>
	100%

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

NIGHTINGALE INFORMATIX CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2010 (UNAUDITED)

affected by changes in the exchange rate between the Canadian dollar and the US dollar. As at June 30, 2010, monetary assets were \$1,987,679 and monetary liabilities were \$2,245,056, resulting in net monetary liabilities in the amount of \$257,378 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 \$27,400 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 would be negligible.

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.

Pursuant to the Company's subordinated debt agreements, as amended in July 2009 (note 4), the Company is subject to certain covenants with respect to its balance sheet and financial performance. See note 4 for further details regarding the Company's covenants.

NIGHTINGALE INFORMATIX CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2010 (UNAUDITED)****11. SEGMENT INFORMATION**

During the 3 months ended June 30, 2010 and 2009, the Company operated within a single operating segment across two geographic regions. Information with respect to these geographic areas is as follows:

	3 months ended June 30, 2010	3 months ended June 30, 2009
Revenue		
Canada	\$ 2,068,111	\$ 925,500
United States	<u>2,333,379</u>	<u>3,204,720</u>
	<u>\$ 4,401,490</u>	<u>\$ 4,130,220</u>
	As at June 30, 2010	As at March 31, 2010
Property and equipment and goodwill		
Canada	\$ 1,424,566	\$ 1,484,744
United States	<u>4,010,544</u>	<u>4,028,898</u>
	<u>\$ 5,435,110</u>	<u>\$ 5,513,642</u>

12. 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.