NIGHTINGALE INFORMATIX CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal year ended March 31, 2011

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July 20, 2011

Independent Auditor's Report

To the Shareholders and Directors of Nightingale Informatix Corporation

We have audited the accompanying consolidated financial statements of Nightingale Informatix Corporation, which comprise the consolidated balance sheets as at March 31, 2011 and March 31, 2010 and the consolidated consolidated statements of operations and comprehensive loss, deficit, and cash flows for the years then ended, and the related notes, which are comprised of a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nightingale Informatix Corporation as at March 31, 2011 and March 31, 2010 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

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

NIGHTINGALE INFORMATIX CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED MARCH 31, 2011

	Year Ended March 31, 2011	Year Ended March 31, 2010
Revenue	$ 17,374,095	$ 16,580,622
Cost of sales	3,212,174	4,342,634
Gross profit	14,161,921	12,237,988
Expenses		
General and administration	3,211,825	2,934,844
Sales and marketing	2,359,392	1,499,425
Research and development	3,163,757	2,665,338
Client services	3,576,062	3,934,915
Stock based compensation	298,196	279,426
Amortization	1,891,966	2,378,987
	14,501,198	13,692,935
Operating loss	(339,277)	(1,454,947)
Interest, note 12	696,182	2,011,147
Foreign currency gain	(50,060)	(62,653)
Loss before tax	(985,399)	(3,403,441)
Current tax expense (benefit), note 17	(23,408)	40,215
Loss and comprehensive loss	$ (961,991)	$ (3,443,656)
Basic and diluted loss per common share		
Loss and comprehensive loss per common share	$ (0.01)	$ (0.05)
Weighted average number of common shares	75,979,348	70,232,292

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

NIGHTINGALE INFORMATIX CORPORATION

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2011

	March 31, 2011	March 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,165,406	$ 1,798,247
Accounts receivable	3,006,073	2,626,757
Other receivables	66,868	134,459
Inventory	19,882	30,708
Prepaid expenses	418,072	454,070
	7,676,301	5,044,241
Long-term assets		
Deferred costs	198,401	83,385
Property and equipment, note 6	573,928	821,243
Intangible assets, note 7	3,220,105	4,010,143
Goodwill	4,692,399	4,692,399
	8,684,833	9,607,170
Total assets	$ 16,361,134	$ 14,651,411
LIABILITIES		
Current liabilities		
Line of credit, note 5	$ 950,000	$ -
Accounts payable and accrued liabilities	2,323,880	2,549,237
Current portion of deferred revenue	4,778,811	3,488,382
Current portion of capital lease obligations, note 16	145,437	296,649
Current portion of term loan, note 5	800,000	-
	8,998,128	6,334,268
Long term liabilities		
Term loan, note 5	767,857	-
Convertible debentures, note 5	1,820,050	-
Subordinated debt, note 8	-	5,250,000
Deferred revenue	2,731,075	1,750,644
Capital lease obligations, note 16	128,130	211,578
Income taxes payable, note 17	667,708	705,940
	6,114,820	7,918,162
Total liabilities	15,112,948	14,252,430
SHAREHOLDERS' EQUITY		
Capital stock, note 9	29,629,683	28,348,960
Contributed surplus, note 10	4,761,620	4,501,027
Equity portion of convertible debentures, note 5	269,880	-
Warrants, note 11	701,452	701,452
Deficit	(34,114,449)	(33,152,458)
	1,248,186	398,981
Total liabilities and shareholders' equity	$ 16,361,134	$ 14,651,411

Commitments and Legal (see notes 16 & 18)

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, 2011

	Year Ended March 31, 2011	Year Ended March 31, 2010
Deficit, beginning of the period	$ (33,152,458)	$ (29,708,802)
Loss and comprehensive loss	(961,991)	(3,443,656)
Deficit, end of the period	$ (34,114,449)	$ (33,152,458)

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, 2011

	Year Ended March 31, 2011	Year Ended March 31, 2010
Cash flow from operating activities		
Loss from operations	$ (961,991)	$ (3,443,656)
Adjustments for:		
Depreciation and amortization	1,891,966	2,378,987
Amortization of transaction costs related to debt financing	40,516	177,745
Stock based compensation	298,196	279,426
Unrealized foreign exchange (gain) loss	92,438	(37,820)
Interest accretion	61,657	1,108,927
	1,422,782	463,609
Changes in non-cash working capital balances		
Accounts receivable	(374,344)	(610,371)
Prepaid expenses	35,998	(5,795)
Inventory	10,826	31,474
Deferred costs	(115,016)	45,719
Other receivables	72,982	(113,806)
Accounts payable and accrued liabilities	(230,832)	(660,330)
Income taxes payable	(38,232)	(242,761)
Deferred revenue	2,270,860	6,230
Cash flows provided by (used in) operating activities	3,055,024	(1,086,031)
Cash flow from investing activities		
Purchase of property and equipment	(168,772)	(111,001)
Capitalized development costs	(584,656)	(81,000)
Cash flows used in investing activities	(753,428)	(192,001)
Cash flow from financing activities		
Proceeds from line of credit borrowing	950,000	-
Proceeds from issuance of common shares, net of costs	1,243,120	-
Proceeds from term loan, net of costs	1,871,575	-
Proceeds from convertible debt financing, net of costs	2,017,372	-
Repayment of subordinated debt financing	(5,250,000)	-
Repayment of term loan	(333,333)	-
Repayment of capital lease obligations	(339,448)	(239,037)
Cash flows provided by (used in) financing activities	159,286	(239,037)
Foreign exchange losses on cash in foreign currency	(93,723)	(198,740)
Net increase (decrease) in cash	2,367,159	(1,715,809)
Cash and cash equivalents, beginning of period	1,798,247	3,514,056
Cash and cash equivalents, end of period	$ 4,165,406	$ 1,798,247
Non-cash investing and financing activities:		
Acquisition of property and equipment under capital lease	$ 101,185	$ 304,341
Supplemental cash flow information:		
Interest paid	$ 559,727	$ 727,625
Income taxes paid (refunded)	$ (5,628)	$ 87,126

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

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 healthcare 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 HealtheNet Corporation, Nightingale HealtheNet 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.

Revenue recognition

The Company generates revenue by selling licenses to the Company's application software, related support and maintenance or utilization services as well as professional services including revenue cycle management, project management, implementation, training, electronic transaction services, custom development and transcription. 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.

When the Company enters into an arrangement that includes multiple elements, the Company allocates the total fee to the various elements based on the relative estimated selling prices of each deliverable. Revenue associated with the undelivered elements is deferred until the criteria required to recognize revenue have been met. If evidence of the fair value of one or more of the elements does not exist, all revenue is deferred and recognized when delivery of those elements occurs or when fair value can be established.

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

Revenue related to services is recognized at the time the service is performed.

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 were 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 were 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. Software development costs are capitalized when costs are attributable to a clearly defined product, technical feasibility has been established, a marked has been identified, the Company intends to market the software and has adequate resources expected to be available to complete the project. Amortization of capitalized development costs commences when development of the software is complete and the product is available for sale to customers.

Investment tax credits and reimbursement for certain research and development costs pursuant to subsidy programs are recognized as reductions to research and development costs 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.

Deferred Costs

Deferred costs are comprised of deferred sales commission costs that will be recognized as commission expense as the related revenues are recognized.

Property and equipment

Property and equipment are recorded at acquisition cost and amortized to operations on a straight line basis over their estimated useful lives as follows:

Office equipment (3 years)
Furniture and fixtures (5 years)
Leasehold improvements (lesser of the estimated useful life or the remaining lease term)

Intangible assets

Intangible assets representing proprietary software and technology, customer relationships and cross sell opportunities 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. Capitalized development costs are amortized over the estimated useful life of the software product developed, generally three years.

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, 2011 and 2010, no dilutive effect would result from the potential increase in common shares. As a result, 836,000 stock options that were in the money on March 31, 2011 were excluded from the calculation of the fully diluted loss per share.

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 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. CHANGES IN ACCOUNTING POLICIES

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 early adopted 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 for the year ended March 31, 2011 and is not expected to have material impact in future periods to the extent that the Company continues to enter into similar revenue arrangements.

4. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

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

(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 transition plan as further described in its 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 did not adopt this new standard in the year ended March 31, 2011.

(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 did not adopt this new standard in the year ended March 31, 2011.

(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 did not adopt this new standard in the year ended March 31, 2011.

5. DEBT AND PRIVATE PLACEMENT FINANCING

In April 2010, the Company completed a comprehensive debt and private placement financing and in July 2010, the proceeds of the financing were used for working capital purposes and to repay the Company's subordinated debt.

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. When the subordinated debt was repaid in July 2010, the holder of each Subscription Receipt received, without additional consideration, convertible unsecured subordinated debentures in the aggregate principal amount of $1,000 (the "Debentures").

a. LINE OF CREDIT

This credit facility bears interest at a variable rate of the prime rate plus 3%. At March 31, 2011, the Company had drawn $950,000 under the revolving line of credit. The line of credit is collateralized by a security interest in the Company's assets and was repaid on April 1, 2011. The line of credit expires August 31, 2012.

b. TERM LOAN

The three year loan is repayable in 30 equal monthly installments of principal plus all accrued interest commencing November 1, 2010. This loan bears interest at a variable rate of the prime rate plus 3%. The term loan is collateralized by a security interest in the Company's assets. Pursuant to the Company's debt agreement with the lender, the Company is subject to certain covenants with respect to its balance sheet and financial performance. The Company was in compliance with all financial covenants as at March 31, 2011.

The Company incurred costs of $129,577 related to the establishment of this term loan facility. These costs are being amortized to interest expense over the term of the facility.

The remaining principal balance will be paid as follows:

Fiscal Year	
2012	$ 800,000
2013	866,667
Total Principal Payments	1,666,667
Less Unamortized Transaction Costs	(98,810)
	1,567,857
Less Long Term Portion	(767,857)
Current Portion of Obligations	$ 800,000

c. CONVERTIBLE DEBENTURES

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. The transaction costs related to the convertible debt financing totaled $56,627.

The proceeds and costs were allocated to the debt and equity components of the debentures based on the relative fair value of the debt and equity. The fair value of the convertible debt of $1,796,545 was determined by discounting the future contractual cash flows of the convertible debt using an interest rate of 19%.

The fair value of the equity was determined to be $277,455 using the Black-Scholes option pricing model with the following assumptions:

Convertible debt exercise price	$ 0.35
Risk-free rate	2.3%
Market value of common shares on date of issuance	$ 0.26
Expected volatility	88.5 %
Expected dividend yield	0 %
Estimated life	3 years

Based on the relative fair values of the convertible debt and equity, proceeds of $1,796,545 and transaction costs of $49,052 were allocated to the convertible debt and proceeds of $277,455 and transaction costs of $7,575 were allocated to the equity. The $49,052 is being amortized to interest over the term of the debentures ($10,901 in fiscal 2011).

6. PROPERTY AND EQUIPMENT

Property and equipment as at March 31, 2011 are as follows:

	Cost	**Accumulated Depreciation**	**Net Book Value**
Office equipment	$ 1,734,269	$ 1,495,052	$ 239,217
Furniture and fixtures	231,911	184,180	47,731
Assets under capital lease	1,779,291	1,519,165	260,126
Leasehold Improvements	203,423	176,569	26,854
	$ 3,948,894	$ 3,374,966	$ 573,928

Property and equipment as at March 31, 2010 are as follows:

	Cost	Accumulated Depreciation	Net Book Value
Office equipment	$ 1,566,492	$ 1,345,820	$ 220,672
Furniture and fixtures	227,021	150,937	76,084
Assets under capital lease	1,682,001	1,217,536	464,465
Leasehold Improvements	203,423	143,401	60,022
	$ 3,678,937	$ 2,857,694	$ 821,243

Depreciation expense for property and equipment for the years ended March 31, 2011 and 2010 was $517,272 and $810,696, respectively.

7. INTANGIBLE ASSETS

Components of intangible assets as at March 31, 2011 are as follows:

	Cost	Accumulated Amortization	Net Book Value
Proprietary software and technology	$ 3,076,899	$ 2,800,090	$ 276,809
Capitalized development costs	665,656	40,243	625,413
Customer relationships	5,212,359	3,429,423	1,782,936
Cross sell opportunity	1,222,644	687,697	534,947
	$ 10,177,558	$ 6,957,543	$ 3,220,105

Components of intangible assets as at March 31, 2010 are as follows:

	Cost	Accumulated Amortization	Net Book Value
Proprietary software and technology	$ 3,076,899	$ 1,979,995	$ 1,096,904
Capitalized development costs	81,000	-	81,000
Customer relationships	5,212,359	3,035,737	2,176,622
Cross sell opportunity	1,222,644	567,027	655,617
	$ 9,592,902	$ 5,582,759	$ 4,010,143

Amortization expense for intangible assets for the years ended March 31, 2011 and 2010 was $1,374,694 and $1,568,293, respectively.

8. SUBORDINATED DEBT

In April 2007, the Company entered into a debt financing agreement with Wellington Financial LP and Export Development Canada, a Limited Partner in Wellington Financial Fund III (the “Lenders”). The debt bore interest at a rate of 12.75% per annum, payable monthly, and was originally scheduled to mature in March 2010.

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. 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 a 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 5. 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. The adjustment of the debt to its face value resulted in a $0.7 million charge to interest expense in the year ended March 31, 2010.

9. CAPITAL STOCK

a. Authorized

Unlimited	Preference shares
Unlimited	Common shares

b. Common shares issued and outstanding

	Number	Amount
Balance as at March 31, 2010	70,534,543	$ 28,348,960
Shares issued through private placement transaction (note 5)	5,682,364	1,243,120
Issued to officer of the Company	94,008	37,603
Balance as at March 31, 2011	76,310,915	$ 29,629,683

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. These shares had restricted terms based on continued employment over a three year period, with the restriction ending in April 2010.

In addition, 1,666,667 common shares issuable related to a fiscal 2007 acquisition and subject to a performance escrow were also excluded from the totals at March 31, 2010. The performance escrow period ended in fiscal 2010 and these common shares were cancelled in fiscal 2011.

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.

In December 2010, certain options to former directors were modified to extend the time permitted to exercise. On the date of the modification, the difference between the fair value of the original grant and the modified grant using the Black-Scholes option pricing model, $24,000, was expensed.

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 Year Ended March 31, 2011	Options Granted Year Ended March 31, 2010
Risk-free interest rate	2.1% – 2.6%	2.3%
Estimated volatility	55% – 58%	81%
Dividend yield	0%	0%
Expected life	4 years	4 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
Issued	1,981,967	0.27
Cancelled / Expired	(281,469)	0.58
Balance as at March 31, 2010	4,866,816	0.47
Issued	2,363,049	0.32
Cancelled / Expired	(914,500)	1.05
Balance as at March 31, 2011	6,315,365	$ 0.34

ii. Summarized information relative to stock options outstanding as of March 31, 2011

Exercise Price	Number Outstanding	Exercisable	Remaining Life (Years)
$0.26	836,000	418,000	2.43
0.27	1,841,967	1,178,217	3.34
0.28	977,500	-	3.26
0.35	1,323,049	586,672	3.33
0.36	50,000	-	3.81
0.45	1,199,349	1,092,474	1.31
1.25	87,500	87,500	0.64
	6,315,365	3,362,863	

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

For the year ended March 31, 2011:	Number of Options Issued	Weighted Average Exercise Price	Weighted Average Fair value of Option
Exercise price equal to the market	2,363,049	$ 0.32	$ 0.15

For the year ended March 31, 2010:	Number of Options Issued	Weighted Average Exercise Price	Weighted Average Fair value of Option
Exercise price equal to the market	1,926,967	$ 0.27	$ 0.16
Exercise price exceeds the market	55,000	$ 0.27	$ 0.15

10. 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 periods ended March 31, 2009 and 2010 are as follows:

Balance as at March 31, 2009	$ 3,274,607
Excess of balance of cancelled warrants over value of common shares issued (note 8)	984,604
Stock based compensation	279,426
Transfer to common shares on release of restrictions on restricted stock	(37,610)
Balance as at March 31, 2010	4,501,027
Stock based compensation	298,196
Transfer to common shares on release of restrictions on restricted stock	(37,603)
Balance as at March 31, 2011	$ 4,761,620

11. WARRANTS

The fair value of Warrants was estimated using the Black-Scholes option pricing model.

	Exercise Price	Number Outstanding	Exercisable	Remaining Contractual Life (Years)
As on March 31, 2011	$0.31	4,233,870	4,233,870	1.33
As on March 31, 2010	$0.31	4,233,870	4,233,870	2.33

12. INTEREST

	Year Ended March 31, 2011	Year Ended March 31, 2010
Interest accretion on convertible debentures	$ 61,657	$ -
Interest accretion on subordinated debt	-	407,475
Interest accretion on debt warrants	-	701,452
Transaction costs on term loan	29,615	-
Transaction costs on convertible debentures	10,901	-
Transaction costs on subordinated debt	-	177,745
Non-cash interest expense	102,173	1,286,672
Interest on term loan	75,381	-
Interest on convertible debentures	235,353	-
Interest on subordinated debt	254,350	669,375
Interest on capital lease obligations	30,375	44,130
Interest expense / (income)	(3,299)	1,545
Other interest	1,849	9,425
	$ 696,182	$ 2,011,147

The adjustment of the subordinated debt to its face value as described in note 8 resulted in a $0.7 million charge to interest expense in the year ended March 31, 2010.

13. RELATED PARTY TRANSACTIONS

At March 31, 2010 the Company had a deferred compensation balance of $47,386 payable to an officer and director of the Company. The balance was included in the balance of accounts payable and accrued liabilities and was settled in fiscal 2011. This transaction was recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

14. FINANCIAL INSTRUMENTS

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 March 31, 2011	As at March 31, 2010
Held for trading (i)	$ 4,165,406	$ 1,798,247
Loans and receivables (ii)	$ 3,072,941	$ 2,761,216
Other financial liabilities (iii)	$ 6,661,787	$ 7,799,237

(i) Includes cash and cash equivalents
(ii) Includes accounts receivable and other receivables

(iii) Includes financial liabilities included in line of credit, accounts payable and accrued liabilities, term loan payable, convertible debt and subordinated debt
Fair values of financial instruments:

At March 31, 2011 and March 31, 2010, the estimated fair values of cash and cash equivalents, accounts receivable and other receivables, accounts payable and accrued liabilities and line of credit approximate their respective carrying values due to their short-term nature.

At March 31, 2011 the fair value of the Company's term loan payable and convertible debt are estimated to be equal to their carrying values.

At March 31, 2010 the fair value of the Company's subordinated debt was estimated to be equal to its carrying value. See note 5 and 8 for additional information regarding the carrying value of the Company's debt and the repayment of the debt in July 2010.

Liquidity risk

Until fiscal 2011, the Company sustained losses and negative cash flows from operations for a number of years. At March 31, 2011, the Company has approximately $4.2 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 loans described in note 5 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. No customer accounted for more than 10% of total revenues in the year ended March 31, 2011. In the year ended March 31, 2010, one large customer accounted for 10% of total revenues. A second customer represented 11% of accounts receivable at March 31, 2011 and 17% at March 31, 2010 and a third customer accounted for 23% of accounts receivable at March 31, 2011 and 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.

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.

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 $3.1 million and $2.9 million as at March 31, 2011 and March 31, 2010 respectively, representing the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Most sales are invoiced with payment terms in the range of 30 to 90 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 $0.03 million and $0.02 million as at March 31, 2011 and 2010, respectively.

The Company's exposure to credit risk for trade receivables by geographic area as at March 31, 2011 was as follows:

Canada	$ 1,804,134	59%
United States	1,267,504	41%
	$ 3,071,638	100%

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

	Year Ended March 31, 2011	Year Ended March 31, 2010
Allowance for doubtful accounts – beginning of period	$ 228,432	$ 350,157
Bad debt expense / (recovery)	65,535	(26,046)
Write-off of bad debts	(228,402)	(95,679)
Allowance for doubtful accounts – end of period	$ 65,565	$ 228,432

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 $4,165,406, representing the maximum exposure to credit risk of these financial assets. Approximately 91% of the Company's cash and cash equivalents at March 31, 2011 was held by one financial institution. The Company's exposure to credit risk relating to cash and cash equivalents, segmented by geographic area as at March 31, 2011 was as follows:

Canada	84%
United States	16%
	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 affected by changes in the exchange rate between the Canadian dollar and the US dollar. As at March 31, 2011, monetary assets were $2,205,103 and monetary liabilities were $1,511,013, resulting in net monetary assets in the amount of $694,090 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 $43,000 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 $150.

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, a line of credit, term loan and convertible debentures. The Company's primary uses of capital have been to finance operating losses, increases in non-cash working capital and capital expenditures. While the Company has recently started to generate cash from its operations, the Company's primary source of funding for 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 term loan agreement (note 5), the Company is subject to certain covenants with respect to its balance sheet and financial performance.

15. SEGMENT INFORMATION

During the year ended March 31, 2011, 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, 2011	Year Ended March 31, 2010
Revenue		
Canada	$ 8,323,059	$ 4,682,902
United States	9,051,036	11,897,720
	$ 17,374,095	$16,580,622
Property, equipment and goodwill		
Canada	$ 1,304,315	$ 1,484,744
United States	3,962,012	4,028,898
	$ 5,266,327	$ 5,513,642

16. COMMITMENTS

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

Fiscal Year	**Operating Leases**	**Capital Leases**
2012	503,610	158,706
2013	297,462	120,340
2014	231,203	13,133
2015 and thereafter	180,115	-
Total Future Minimum Payments	$ 1,212,390	292,179
Less Interest		(18,612)
Total Principal Balance		273,567
Less Long Term Portion		(128,130)
Current Portion of Obligations		$ 145,437

Capital lease obligations, including interest at rates ranging from 3.5% to 20% per annum, mature on various dates to January 1, 2014 and are often secured by the underlying office equipment and furniture and fixtures.

17. 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:

	March 31, 2011	**March 31, 2010**
Future income tax assets (liabilities)		
Non-capital losses	$ 10,130,305	$ 10,265,909
Deductible share issue costs	120,473	299,003
Intangible assets	(1,195,061)	(1,238,651)
Excess of book value of property and equipment over tax value	(7,937)	(34,365)
Other	241,201	129,366
	9,288,981	9,421,262
Valuation allowance	(9,288,981)	(9,421,262)
Net future tax assets	$ -	$ -

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, 2011 and 2010 due to the uncertainty as to their ultimate realization.

Tax expense

In the year ended March 31, 2011, the Company received net refunds over minimum taxes paid of approximately $6,000 (2010 - $0.09 million associated with the sale of its Helper business in February 2008). In the year ended March 31, 2011, the Company recognized current income tax benefit of $0.02 million representing a net refund of previous estimated tax payments over minimum income taxes due (2010 – $0.04 million tax expense).

Non-capital income tax losses

The Company has approximately $23 million of non-capital income tax losses available to reduce future taxable income generated by its Canadian entities. Approximately $3.1 million of these losses expire between 2012 and 2014 and approximately $20.1 million expire between 2026 and 2031.

The Company also has approximately $10.7 million US dollars of non-capital income tax losses available to reduce future taxable income generated by its US based entities. These losses expire in various amounts between 2027 and 2031. The utilization of a significant portion of the Company's US denominated losses has been limited under the change of ownership rules in the US tax law to $530,000 per year.

18. 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.