

## **PRISM MEDICAL LTD.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Nine months ended August 31, 2009 and August 31, 2008**

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the audited consolidated financial statements and notes therein for the year ended November 30, 2008. We have prepared our unaudited consolidated financial statements in accordance with Canadian generally accepted accounting principles.

These interim financial statements, associated notes and Management's Discussion and Analysis have not been reviewed by an external auditor.

All dollar figures are expressed in thousands of Canadian dollars except for earnings per share or amounts stated with cents.

#### **FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements relating to our operations and to the environment in which we operate and our strategy, action plans and investments, which may involve estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict and/or are beyond our control. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. These factors include those set forth in this report and other public filings. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they are made.

We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In this discussion and analysis, "we", "our", "Prism" and similar references include Prism Medical Ltd. and its subsidiaries.

#### **CORE BUSINESS AND BUSINESS ENVIRONMENT**

Prism is a provider of durable medical equipment ("DME") to the mobility disadvantaged in Canada, the USA and the United Kingdom ("UK"). Since the mid 1980's Prism's subsidiaries have been servicing the mobility disadvantaged in their homes, long-term care facilities and acute care facilities.

In North America, our division Waverley Glen Systems operates from a facility in Vaughan, Ontario that includes manufacturing and a showroom/training center. US operations have been headquartered in St. Louis, Missouri following the acquisition of ErgoSafe Products, LLC, a manufacturer and distributor of a variety of non-mechanical safe patient handling and movement products in the US. The Company acquired Patient Lifts of New England in the first quarter of 2008, a distributor of Company products to the northeastern US market. In addition, the Company acquired Faulkner System Medical in the second quarter of 2008 which is also a distributor of Company products to the

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Midwest market. As well, the Company acquired Access Solutions in the fourth quarter of 2008 which is an installer of lifting and handling products. In the second quarter of 2009, the Company acquired Dignity Inc., a distributor of moving and handling products to the Southeastern US Market.

In the UK, our subsidiary Freeway Healthcare (“Freeway”) operates two manufacturing plants in North Wales in addition to Westholme, Care Free Lifting, Test Valley Mobility and Saluss, our distribution businesses. The Company acquired Test Valley Mobility in the second quarter of 2009 and Saluss in the third quarter of 2009. These businesses provide estimating, installation, maintenance and training services related to the installation and sale of DME to the homecare and institutional market in the UK from five locations on a scale that makes them, in management’s estimate, the largest homecare dealer network of their kind in the UK.

Our mission is to save the healthcare system money and improve the quality of life of the mobility disadvantaged and their caregivers by providing superior services and products that most effectively solve the problems related to moving and handling people.

### **Products and Services**

Historically our core products have been ceiling lifts, both fixed and portable. Management believes ceiling lifts are a superior technology to other types of products used to move and handle people and that their use is considered ‘best practice’ in most jurisdictions. They perform functions with less risk of injury to the end user and caregiver and at a lower cost to the healthcare system. We also sell other related DME within the moving and handling segment through all three main customer channels (homecare, long-term care and acute care facilities).

Particularly in the United States but also in the United Kingdom and Canada, we have shifted our strategy by offering a full line of products that addresses the problems encountered with moving and handling people in institutional and homecare environments. Although we continue to focus our efforts on ceiling lifts, we now also offer complete solutions which require the use of mobile floor lifts and transfer and repositioning aids.

Our services include injury cost estimation, estimating, risk assessment, installation, training and ongoing preventative maintenance. Services are provided directly by company-owned operations and by high quality service oriented dealers.

### **Strategies**

Prism pursues a differentiation strategy focused on providing a superior high quality integrated service to the customer that combines knowledge and products. In order to ensure that the complete potential of our products is realized, we focus on the efficient installation of ceiling lifts and the thorough training of caregivers and end users. Prism provides its superior service by employing people who want to serve perfectly every time and who are trained to the highest standards possible. Prism also associates itself with dealers and distributors who share and consistently execute this vision of high quality service.

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Sales growth is driven by geographic expansion of our Company-owned service capability, and association with a growing number of capable distributors, the addition of related products sold to our customer's, and the continued recruitment of people with the knowledge and drive to provide a superior service.

Growth in profitability is also driven by manufacturing the key products that we sell.

We believe these strategies are unique for a company of our size in the DME marketplace. Most of our product competitors focus on low cost manufacturing and leave the service and sales to dealer organizations that are typically small regional companies with limited resources and knowledge. As such, they may lack the capability to provide ongoing services to institutions that purchase the products. However, some product competitors are very good at what they do and may enjoy a cost advantage. Some service provider competitors have special customer relationships which may limit our impact in certain segments of the market.

### **KEY PERFORMANCE DRIVERS**

In 2009 we hope to enhance shareholder value by continuing to pursue the following actions focused on revenue and profit growth:

- Achieve broader coverage of the UK market by securing additional high quality dealers and by company owned geographic expansion. With broader coverage, we believe additional service and product supply business from national accounts can be secured.
- Focus on securing market share in the US institutional market by exploiting our full line of moving and handling product solutions, through upgraded dealers, newly acquired distributors and experienced institutional sales people with proven customer relationships.
- Realize manufacturing efficiencies by increasing production volume in our UK manufacturing facilities.
- Introduce meaningful new products that allow us to better serve our customers and gain market share in all key markets.
- We expect continued gradual improvement in our UK operations particularly driven by new product introductions and service business growth.
- Renewed North American growth should result as we start to realize gains from the newly established distributor relationships, renewed Canadian provincial government funding, and upgraded US selling efforts.

### **CAPABILITY TO DELIVER RESULTS**

#### **Ability to Introduce New Products**

New products that can achieve meaningful market share are scarce in the competitive business environment in which we operate. The products planned for introduction have been developed internally or sourced from reputable manufacturing companies. These products represent additions, enhancements or improvements to our current core product offering.

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### **Ability to Attract and Retain Key Knowledge Workers**

Our revenues and profits are largely dependent upon the quality of our sales efforts and the underlying service providers. We invest considerable time in the selection and recruitment of people with similar value systems to those the Company advocates. Even more time is devoted to training and managing our human resources so that they will grow as individuals and in their ability to contribute to the Company.

Human resource policies are routinely updated and improved. Health and safety measures which enhance employee welfare are routinely upgraded. Incentive plans and compensation packages are competitive.

### **Ability to Attract Qualified Distributors**

In certain geographical areas, Canada in particular, our revenues and profits are largely dependent upon the quality and quantity of the sales and service efforts of our distributors. We invest considerable time in working with these distributors to enhance their sales and profit opportunities and to maximize their customer relationships.

### **Ability to Attract Adequate Capital**

The Company has adequate levels of capital. At August 31, 2009 the Company had cash and unutilized debt capacity of \$9,099 (see Liquidity and Capital Resources) to finance ongoing operations including planned plant and equipment expenditures, and research and development expenditures.

Further capital will be required to consummate any material acquisitions. Historically, Prism has successfully financed acquisitions and other events that required capital infusions. In September 2007, the Company negotiated two term loans. A term loan of \$4,500 was available to finance a substantial issuer bid that was completed in November 2007, utilizing \$4,284 of this loan. The second term loan of \$7,500 is available to finance future acquisitions and \$3,190 is currently utilized. The term loans provide the Company with greater flexibility in terms of both the timing and amount of capital it raises in the public markets. Ultimately our ability to raise capital depends upon our rate of return on shareholders' equity being consistently above what investors can achieve with other lower risk alternatives.

### **Credit Environment**

Near the end of 2008, the world credit environment changed drastically limiting some businesses from obtaining adequate credit. This new credit environment has extended into 2009 and it is uncertain as to how long it will continue as well as the impact it may have on the world's economies. The Company believes that governments will continue to focus on and invest in ways to save the healthcare system money, however this may change due to the credit crunch as governments in countries with which the Company does business may change their funding priorities. As well, customers who rely on private or endowments to finance ongoing operations or capital expenditures may be financially restrained.

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### **CHANGES IN ACCOUNTING POLICIES**

On December 1, 2008, the Company adopted Section 3031, which provides more guidance on the measurement and disclosure requirements for inventories.

In addition, Section 3064 replaces Section 3062, both of which relate to goodwill and other intangible assets. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises.

With respect to foreign exchange translation, there were significant changes in the facts and circumstances with respect to the US operations which resulted in the subsidiary changing from fully integrated into a self-sustaining subsidiary. This change was accounted for prospectively as per Section 1651.

The Company also adopted Section 1400, general standards of financial statement presentation.

The adoption of these new sections, as noted above, had no impact on the Company's reported results of operations.

#### **Future accounting changes**

##### **International Financial Reporting Standards**

The CICA has announced that Canadian Generally Accepted Accounting Principles for profit oriented publically accountable enterprises will be replaced with International Financial Reporting Standards (IFRS). The Company currently plans to begin reporting financial statements in accordance with IFRS commencing December 1, 2012. The impact of the conversion to IFRS on its financial position and results of operations has yet to be determined.

##### **Business Combinations, Consolidated Financial Statements and Non-controlling Interests**

With the concurrence of the AcSOC, the AcSB decided to issue new sections 1582, Business Combinations, 1601, Consolidated Financial Statements, and 1602, Non-controlling Interests, with effect for acquisitions in fiscal years beginning on or after January 1, 2011 but with earlier adoption permitted. These were issued in early January 2009.

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### ACQUISITIONS

#### (a) Dignity Inc.

On April 17, 2009, the Company acquired 100% of the issued and outstanding common shares of Dignity Inc., ["Dignity"], a privately owned United States based distributor of moving and handling products for the mobility impaired. The purchase consideration comprises the following:

	\$
Cash	1,071
Promissory notes	844
Transaction costs	107
<b>Total purchase consideration</b>	<b>2,022</b>

The allocation of the purchase consideration for the acquisition of Dignity, based on management's estimate, is as follows:

	\$
Current assets	449
Customer lists	1,259
Goodwill	1,251
Liabilities assumed	(937)
<b>Total purchase consideration</b>	<b>2,022</b>

The Company's consolidated results include the results of Dignity from April 17, 2009.

The promissory notes are repayable within three years.

Additional consideration may be paid in future depending on the financial results of Dignity.

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### (b) Test Valley Mobility LLP

Effective May 5, 2009, the Company acquired substantially all the assets and operations of Test Valley Mobility LLP, ["TVM"], a privately owned UK corporation that provides equipment, servicing and repair of moving and handling equipment to the long term care, acute care and home care sectors in the UK. The purchase consideration comprises the following:

	\$
Cash	757
Promissory Notes	757
Transaction costs	89
<b>Total purchase consideration</b>	<b>1,603</b>

The allocation of the purchase consideration for the acquisition of TVM, based on management's estimate, is as follows:

	\$
Current assets	153
Property, plant and equipment	24
Customer lists	627
Goodwill	799
<b>Total purchase consideration</b>	<b>1,603</b>

The Company's consolidated results include the results of TVM from May 5, 2009.

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### (c) Saluss Limited

Effective June 30, 2009, the Company completed its acquisition of 100% of the outstanding capital stock of Saluss Limited, a privately owned UK corporation that provides servicing and repair of moving and handling equipment to the long term care and acute care sectors in the UK. The purchase price was satisfied as follows:

	\$
Cash	594
Promissory Notes	861
Transaction costs	82
<b>Total purchase consideration</b>	<b>1,537</b>

The allocation of the purchase price for the acquisition of Saluss, based on management's estimate, is as follows:

	\$
Current assets	524
Property, plant and equipment	26
Customer lists	516
Goodwill	1,048
Future tax liability	(176)
Liabilities assumed	(401)
<b>Total purchase consideration</b>	<b>1,537</b>

The Company's consolidated results include the results of Saluss from June 30, 2009.

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### RESULTS OF OPERATIONS

#### *For the three months ended August 31, 2009*

##### Revenue

Revenue is based on the location of the customer and is comprised of the following:

	Change in Period	Three Months ended			
		August 31, 2009		August 31, 2008	
North America	35%	6,266	41%	4,646	37%
United Kingdom	14%	8,896	59%	7,822	63%
	22%	\$ 15,162	100%	\$ 12,468	100%

##### North America

In Canada, revenues decreased by \$81 in the third quarter of 2009 versus 2008. In the US, revenues were positively affected by \$1,701 largely from growing institutional demand and an increase in geographical coverage. US revenue increased by 66 percent in the third quarter of 2009 versus 2008 which was partially enhanced by the strengthening of the US dollar on a year over year basis.

##### United Kingdom

Sales of moving and handling products and related services were 14% higher in the third quarter of 2009 vs. 2008 expressed in CDN dollars. The weakening of the British pound sterling on a year over year basis reduced third quarter 2009 sales by \$930 CDN.

##### Gross Profit

	Three Months ended	
	August 31, 2009	August 31, 2008
Gross profit	\$ 6,522	\$ 5,595
Percentage of revenue	43%	44%

Gross profit increased \$927 due to increases in sales volume in 2009 as compared to 2008.

Gross profit from UK operations remains higher as a percentage of revenues than North American operations. This is caused by the effect of manufacturing and distributing a large proportion of our core products in the UK.

## Prism Medical Ltd.

### Selling, General and Administrative Expense

	Three Months ended	
	August 31, 2009	August 31, 2008
Selling, general and administrative	\$ 4,633	\$ 3,453
Percentage of revenue	30%	28%

Selling, general and administrative expenses in the UK were higher due to the impact of acquisitions with the majority of the increase in 2009 occurring in North American operations related directly to the expanded focus on the US market.

### Amortization Expense

	Three Months ended	
	August 31, 2009	August 31, 2008
Charged to cost of product and services sold		
Property, plant and equipment	\$ 216	\$ 214
Charged to expenses		
Property, plant and equipment	118	115
Deferred charges	78	60
Intangible assets	112	24
	\$ 524	\$ 413

The increase in property plant and equipment amortization expense reflects the acquisition of additional capital assets.

### Interest Expense

	Three Months ended	
	August 31, 2009	August 31, 2008
Total interest expense	\$ 378	\$ 402

Interest expense decreased in the third quarter of 2009 compared to 2008, primarily due to declines in interest rates year over year.

## Prism Medical Ltd.

### Provision for Income Taxes

	Three Months ended	
	August 31, 2009	August 31, 2008
Total provision for income taxes	\$ 357	\$ 538
Percentage of income before income taxes	30%	34%

The Company has operations in countries that have differing tax laws and rates. The provision for income taxes is based on a number of estimates and assumptions made by management including its understanding of domestic and international tax rules. Advice is also sought from professional tax advisors.

In the third quarter of 2009, the effective tax rate is lower than the normalized rate of 32 percent due to tax adjustments recorded in the third quarter.

### Net income

	Three Months ended	
	August 31, 2009	August 31, 2008
Income before income taxes	\$ 1,177	\$ 1,603
Percentage of revenue	8%	13%
Net income	\$ 820	\$ 1,065
Earnings per share	\$ 0.16	\$ 0.21
Diluted earnings per share	\$ 0.13	\$ 0.16

Income before income taxes as a percentage of revenue has decreased by 5 percent due largely to an increase in Selling, General and Administration expenses and a \$94 foreign exchange loss being incurred in 2009 vs. a \$77 foreign exchange gain in 2008.

Net income decreased \$245 due to the factors outlined above.

### Comprehensive Income (Loss)

	Three Months ended	
	August 31, 2009	August 31, 2008
Net income for the period	\$ 820	\$ 1,065
Other comprehensive income (loss)	427	(427)
Comprehensive income (loss) for the period	\$ 1,247	\$ 638

Other comprehensive income (loss) is the change in shareholders' equity, which results from transactions and other events from non-shareholder sources. These transactions and events include unrealized gains and losses resulting from changes in fair value of

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investments classified as available-for-sale and from foreign currency translation of self-sustaining foreign subsidiaries.

The comprehensive income for 2009 was largely due to an adjustment to the calculation method applied in determining other comprehensive income. The comprehensive loss in 2008 resulted from a weakening of the British pound sterling against the Canadian dollar during the quarter.

### EBITDA

	Three Months ended	
	August 31, 2009	August 31, 2008
EBITDA *	\$ 2,098	\$ 2,434
Percentage of sales	14%	20%

EBITDA in 2009 decreased \$336 as a result of higher gross profit being offset by higher selling, general and administration expenses and a \$94 foreign exchange loss being incurred in 2009 vs. a \$77 foreign exchange gain in 2008. The weakening of the British pound sterling on a year over year basis reduced EBITDA in the first three months of 2009 by \$220 CDN.

\* "EBITDA" consists of earnings before interest, income taxes, depreciation and amortization. EBITDA is a financial metric used by many investors to compare companies on the basis of operating results, asset value and the ability to incur and service debt. Management believes that EBITDA is a useful measure in evaluating the performance of the Company. EBITDA is not intended to represent cash flow or results of operations in accordance with Canadian generally accepted accounting principles. EBITDA does not have a standardized meaning prescribed by GAAP and may not be comparable to similarly titled measures reported by other companies.

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### *For the nine months ended August 31, 2009*

#### Revenue

Revenue is based on the location of the customer and is comprised of the following:

	Change in Period	Nine Months ended			
		August 31, 2009		August 31, 2008	
North America	67%	23,142	49%	13,833	39%
United Kingdom	9%	24,042	51%	22,085	61%
	31%	\$ 47,184	100%	\$ 35,918	100%

#### North America

In Canada, strong institutional demand for our products supported by government funding in the western provinces caused the revenue increase of \$584 in the first nine months of 2009 versus 2008. In the US, revenues increased by \$8,725 or 149% compared to 2008 due to growing institutional demand serviced by new sales representatives which was partially enhanced by the strengthening of the US dollar on a year over year basis.

#### United Kingdom

Sales of moving and handling products and related services were 9% higher in the first nine months 2009 vs. 2008 expressed in CDN dollars. The weakening of the British pound sterling on a year over year basis reduced sales in the first nine months of 2009 sales by \$2,500 CDN.

#### Gross Profit

	Nine Months ended			
	August 31, 2009		August 31, 2008	
Gross profit	\$	20,069	\$	15,355
Percentage of revenue		43%		43%

Gross profit has increased \$4,714 due to the increase in sales volume over the first nine months of 2009 as compared to 2008 particularly in the US market.

## Prism Medical Ltd.

### Selling, General and Administrative Expenses

	Nine Months ended	
	August 31, 2009	August 31, 2008
Selling, General and Administrative Expenses	\$ 13,529	\$ 9,228
Percentage of revenue	29%	26%

Selling, general and administrative expenses in the UK were higher due to the impact of acquisitions with the majority of the increase in 2009 occurring in North American operations related directly to the expanded focus on the US market.

### Amortization

The amortization expense for the period consists of the following:

	Nine Months ended	
	August 31, 2009	August 31, 2008
Charged to cost of product and services sold		
Property, plant and equipment	\$ 677	\$ 612
Charged to expenses		
Property, plant and equipment	287	313
Deferred charges	222	187
Intangible assets	178	62
	\$ 1,364	\$ 1,174

The increase in property plant and equipment amortization expense reflects the acquisition of additional capital assets.

### Interest Expense

	Nine Months ended	
	August 31, 2009	August 31, 2008
Total interest expense	\$ 1,142	\$ 1,270

Interest expense decreased in the first nine months of 2009 compared to 2008, primarily due to declines in interest rates year over year.

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### Provision for Income Taxes

	Nine Months ended	
	August 31, 2009	August 31, 2008
Total provision for income taxes \$	357	\$ 1,211
Percentage of income before income taxes	30%	28%

The Company has operations in countries that have differing tax laws and rates. The provision for income taxes is based on a number of estimates and assumptions made by management including its understanding of domestic and international tax rules. Advice is also sought from professional tax advisors.

In 2009, the effective tax rate is 2% less than the normalized rate of 32 percent with the effect of lower foreign taxes rates being partially offset by permanent differences.

### Net income

	Nine Months ended	
	August 31, 2009	August 31, 2008
Income before income taxes \$	4,471	\$ 4,389
Percentage of revenue	9%	12%
Net income \$	3,260	\$ 2,971
Earnings per share \$	0.63	\$ 0.61
Diluted earnings per share \$	0.48	\$ 0.45

Income before income taxes as a percentage of revenue has decreased by 3 percent due largely to an increase in selling, general and administration expenses and a \$315 foreign exchange loss being incurred in 2009 vs. a \$147 foreign exchange gain in 2008.

Net income increased by \$289 due to the factors outlined above.

### Comprehensive Income

	Nine Months ended	
	August 31, 2009	August 31, 2008
Net income for the period \$	3,260	\$ 2,971
Other comprehensive loss	(2,050)	(1,381)
Comprehensive income for the period \$	1,210	\$ 1,590

Other comprehensive income (loss) is the change in shareholders' equity, which results from transactions and other events from non-shareholder sources. These transactions

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and events include unrealized gains and losses resulting from changes in fair value of investments classified as available-for-sale and from foreign currency translation of self-sustaining foreign subsidiaries

The comprehensive loss for 2009 resulted from a weakening of the British pound sterling and the US dollar against the Canadian dollar during the period. The comprehensive loss in 2008 resulted from a weakening of the British pound sterling against the Canadian dollar during the period.

### EBITDA

	Nine Months ended	
	August 31, 2009	August 31, 2008
EBITDA *	\$ 7,039	\$ 6,886
Percentage of revenue	15%	19%

EBITDA increased \$153 as a result of increased revenues and gross profit being partially offset by increased selling, general and administration expense and a \$315 foreign exchange loss being incurred in 2009 vs. a \$147 foreign exchange gain in 2008. The weakening of the British pound sterling on a year over year basis reduced EBITDA in the first nine months of 2009 by \$560 CDN.

\* "EBITDA" consists of earnings before interest, income taxes, depreciation and amortization. EBITDA is a financial metric used by many investors to compare companies on the basis of operating results, asset value and the ability to incur and service debt. Management believes that EBITDA is a useful measure in evaluating the performance of the Company. EBITDA is not intended to represent cash flow or results of operations in accordance with Canadian generally accepted accounting principles. EBITDA does not have a standardized meaning prescribed by GAAP and may not be comparable to similarly titled measures reported by other companies.

## LIQUIDITY AND CAPITAL RESOURCES

### *For the three months ended August 31, 2009*

At August 31, 2009, the Company had cash and cash equivalents of \$17 compared to \$200 at August 31, 2008.

Cash inflow from non-cash working capital balances was \$3 compared to an outflow of \$2,945 in 2008.

The Company's working capital position at August 31, 2009 was \$9,400 compared to \$9,874 at August 31, 2008.

During the third quarter of 2009, cash used in investing activities was \$1,533 made up of \$617 on acquisition of subsidiaries with the remainder used on property, plant and

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equipment, deferred charges and intangible assets. During the third quarter of 2008, cash used in investing activities was \$281 made up of \$nil on acquisition of subsidiaries with the remainder used on property, plant and equipment, deferred charges and intangible assets.

During the third quarter of 2009, expenditures on property, plant and equipment spending increased to \$655 compared to \$197 in 2008.

During the third quarter of 2009, expenditures on deferred charges and intangible assets increased to \$261 from \$84 in 2008.

During the third quarter of 2009, cash generated by financing activities was \$286 made up of a decrease in bank indebtedness of \$590, a dividend payment on common shares of \$387, an increase in long-term debt of \$655, a repayment of long-term debt of \$1,379 and the issuance of share capital of \$1,987. During the third quarter of 2008, cash generated by financing activities was \$1,783 made up of an increase in bank indebtedness of \$2,405, a dividend payment on common shares of \$410, a repayment of long-term debt of \$359 and the issuance of share capital of \$147.

The Company's net debt position consisting of bank indebtedness and long-term debt less cash as at August 31, 2009 was \$22,673 as compared to \$19,189 as at August 31, 2008.

### ***For the nine months ended August 31, 2009***

During the first nine months of 2009, cash outflow from non-cash working capital balances was \$1,021 compared to an outflow of \$2,152 in 2008.

During the first nine months of 2009, cash used in investing activities was \$4,250 made up largely of \$2,700 on acquisition of subsidiaries with the remainder used on property, plant and equipment, deferred charges and intangible assets. During the first nine months of 2009, cash used in investing activities was \$4,250 made up largely of \$2,700 on acquisition of subsidiaries with the remainder used on property, plant and equipment, deferred charges and intangible assets.

During the first nine months of 2009, expenditures on property, plant and equipment spending was \$1,032 compared to \$1,029 in 2008.

During the first nine months of 2009, expenditures on deferred charges and intangible assets \$518 as compared to \$274 in 2008.

During the first nine months of 2009, cash generated by financing activities was \$2,453 made up of an increase in bank indebtedness of \$722, dividend payments on common shares of \$775, an increase in long-term debt of \$3,190, a repayment of long-term debt of \$2,671 and the issuance of share capital of \$1,987. During the first nine months of 2008, cash generated by financing activities was \$317 made up of an increase in bank indebtedness of \$2,204, dividend payments on common shares of \$900, repayment of long-term debt of \$1,162, repurchase of share capital of \$488 and the issuance of share capital of \$663.

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### **OUTLOOK**

The Company intends to grow revenues, profitability and return on shareholders' equity. We believe that performance will be positively affected by a continued and more orderly Canadian institutional demand for our products, improved manufacturing efficiencies, greater geographic coverage and revenues and profits from new product introductions. Through the addition of more distributors, both as independents and company owned expansion, we hope to achieve a gradual growth in UK and North American profitability

The demand for our core products and services, in management's estimation, continues to experience organic growth at different rates in the geographic markets in which we participate. While government funding for our products is a significant sales driver and may vary quarter to quarter or even over longer periods, we believe that the long term trend continues to be favorable.



"Andrew McIntyre"  
Chairman and Chief Executive Officer



"William G. Edwards"  
Chief Financial Officer

October 15, 2009