

Consolidated Financial Statements
(unaudited)

Prism Medical Ltd.

August 31, 2009

These interim financial statements and associated notes have not been reviewed by an external auditor.

Third Quarter 2009 Financial Statements

Prism Medical Ltd.**CONSOLIDATED BALANCE SHEETS**

(unaudited)

	August 31 2009	November 30 2008
<i>(stated in thousands of Canadian dollars)</i>	\$	\$
ASSETS		
Current		
Cash	17	200
Accounts receivable	12,425	12,262
Inventories	12,887	12,246
Prepaid expenses	1,254	687
Other receivables	235	441
Income taxes	4	138
Total current assets	26,822	25,974
Property, plant and equipment, net	3,568	3,219
Deferred charges, net	919	609
Goodwill	18,572	16,332
Intangible assets	3,533	1,546
Long term recoverable	82	82
Future income tax asset	1,351	638
	54,847	48,400
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	3,401	2,679
Accounts payable and accrued liabilities	9,028	9,550
Income taxes payable	1,340	591
Current portion of long-term debt	3,653	2,736
Total current liabilities	17,422	15,556
Long-term debt [note 9]	15,636	13,974
Future income tax liabilities	1,339	1,041
Total liabilities	34,397	30,571
Total shareholders' equity [note5]	20,450	17,829
	54,847	48,400

On behalf of the Board:

Director

"Andrew McIntyre"

Andrew McIntyre

Director

"John C. Charles"

John C. Charles

*The accompanying notes are an integral part of these consolidated financial statements****Third Quarter 2009 Financial Statements***

Prism Medical Ltd.

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

<i>(stated in thousands of Canadian dollars, except per share amounts)</i>	Three months ended		Nine months ended	
	August 31	August 31	August 31	August 31
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenues	15,162	12,468	47,184	35,918
Cost of products and services sold	8,640	6,873	27,115	20,563
Gross profit	6,522	5,595	20,069	15,355
Expenses				
Selling, general and administrative	4,633	3,453	13,529	9,228
Loss (gain) on foreign exchange	94	(77)	315	(147)
Stock based compensation	20	14	59	52
Amortization	220	200	553	563
Interest	70	34	222	124
Interest on long-term debt	308	368	920	1,146
Income before income taxes	1,177	1,603	4,471	4,389
Provision for income taxes				
Current	634	384	2,051	991
Future	(277)	154	(840)	427
	357	538	1,211	1418
Net income for the period	820	1,065	3,260	2,971
Earnings per share [note 5]				
Basic	\$0.16	\$0.21	\$0.63	\$0.61
Diluted	\$0.13	\$0.16	\$0.48	\$0.45

The accompanying notes are an integral part of these consolidated financial statements

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Prism Medical Ltd.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(unaudited)

(stated in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	August 31	August 31	August 31	August 31
	2009	2008	2009	2008
	\$	\$	\$	\$

Retained earnings, beginning of period	13,088	9,031	11,036	7,896
Net income for the period	820	1,065	3,260	2,971
Dividends on common shares	(387)	(410)	(775)	(900)
Premium on share buy-back	-	-	-	(281)
Retained earnings, end of period	13,521	9,686	13,521	9,686

The accompanying notes are an integral part of these consolidated financial statements

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Prism Medical Ltd.

**CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**

(unaudited)

(stated in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	August 31	August 31	August 31	August 31
	2009	2008	2009	2008
	\$	\$	\$	\$
Net income for the period	820	1,065	3,260	2,971
Other comprehensive loss				
Changes in unrealized loss on translation of self sustaining foreign subsidiaries	487	(427)	(2,050)	(1,381)
Comprehensive income for the period	1,307	638	1,210	1,590

**CONSOLIDATED STATEMENTS OF ACCUMULATED
OTHER COMPREHENSIVE INCOME (LOSS)**

(stated in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	August 31	August 31	August 31	August 31
	2009	2008	2009	2008
	\$	\$	\$	\$
Accumulated other comprehensive loss – beginning of period	(6,505)	(3,106)	(3,968)	(2,152)
Other comprehensive income (loss)				
Changes in unrealized loss on translation of self sustaining foreign subsidiaries	487	(427)	(2,050)	(1,381)
Accumulated other comprehensive loss – end of period [note 5]	(6,018)	(3,533)	(6,018)	(3,533)

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Prism Medical Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

<i>(stated in thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	August 31	August 31	August 31	August 31
	2009	2008	2009	2008
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Income from continuing operations	820	1,065	3,260	2,971
Add items not affecting cash				
Future income taxes	(295)	(232)	(511)	(227)
Stock based compensation <i>[note 5]</i>	20	14	59	52
Amortization of property, plant and equipment, intangible assets and deferred product expenditures	524	358	1,364	1,112
Interest accretion on convertible debt	41	44	120	129
Other long term receivable	-	-	(82)	-
	1,110	1,249	4,210	4,037
Net change in non-cash working capital balances related to operations <i>[note 8]</i>	3	(2,945)	(1,021)	(2,152)
Cash provided by (used in) operating activities	1,113	(1,696)	3,189	1,885
INVESTING ACTIVITIES				
Deferred charges	(236)	(65)	(408)	(234)
Intangible assets	(25)	(19)	(110)	(40)
Purchase of property, plant and equipment	(655)	(197)	(1,032)	(1,029)
Acquisition of businesses <i>[note 3]</i>	(617)	-	(2,700)	(974)
Cash used in investing activities	(1,533)	(281)	(4,250)	(2,277)
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	(590)	2,405	722	2,204
Dividends paid <i>[note 5]</i>	(387)	(410)	(775)	(900)
Increase in long-term debt	655	-	3,190	-
Repayment of long-term debt	(1,379)	(359)	(2,671)	(1,162)
Repurchase of share capital	-	-	-	(488)
Issuance of share capital <i>[note 5]</i>	1,987	147	1,987	663
Cash provided by financing activities	286	1,783	2,453	317
Effect of exchange rate changes on cash	134	269	(1,575)	184
Net increase in cash during period	-	75	(183)	109
Cash, beginning of period	17	318	200	284
Cash, end of period	17	393	17	393
Supplemental cash flow information				
Interest paid	582	432	1,366	1,189
Income taxes paid	273	380	914	710

The accompanying notes are an integral part of these consolidated financial statements

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Prism Medical Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the most recent audited financial statements, with the exception of the new accounting standards adopted during the period as described in note 2. These unaudited consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for the annual financial statements and therefore should be read in conjunction with the audited consolidated annual financial statements and notes for the year ended November 30, 2008.

These interim financial statements and associated notes 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.

2. 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 economic 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.

Prism Medical Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2009

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 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 not yet been determined.

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

With the concurrence of 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.

Prism Medical Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2009

3. ACQUISITIONS

2009 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
Total purchase consideration	2,022

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)
Total purchase consideration	2,022

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.

Prism Medical Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2009

(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
Total purchase consideration	1,603

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
Total purchase consideration	1,603

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

Prism Medical Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2009

(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
Total purchase consideration	1,537

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)
Total purchase consideration	1,537

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

4. INVENTORIES

Inventories are recorded at the lower of cost and net realizable value. For the nine months ended Aug 31, 2009, the material component of cost of sales were \$16,145. During the same period there were no inventory write-downs nor were there any reversals of previous inventory write-downs.

Prism Medical Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2009

5. SHAREHOLDERS' EQUITY

Shareholders' equity consists of the following:

	August 31	November 30
	2009	2008
	\$	\$
Retained earnings	13,521	11,036
Accumulated other comprehensive loss	(6,018)	(3,968)
	7,503	7,068
Share capital	11,631	9,496
Other paid-in-capital	1,075	1,075
Contributed surplus	241	190
	20,450	17,829

The authorized and issued common share capital consists of the following:

	August 31	November 30
	2009	2008
	\$	\$
Authorized		
Unlimited common shares		
Issued		
5,520,783 [2008 – 5,130,665] common shares	11,631	9,496

Shares Issued

During the first nine months of 2009, the Company issued Nil [2008 – 150,000] common shares under its incentive stock option plan for proceeds of Nil [2008 – \$663].

During the second quarter of 2009, 40,000 [2008 -200,000] common shares were issued on the redemption of \$150[2008 – \$750] face value of convertible subordinated debentures. For each common share issued, share capital was increased by \$3.75. In aggregate share capital was increased by \$150 [2008 –\$750].

On August 10, 2009, the Company received approval from the TSX Venture Exchange to issue up to 500,000 common shares to employees, directors and consultants at a sale price of \$6.00 per common share under a proposed private placement.

On August 25, 2009, the Company completed the private placement for the sale of 350,118 common shares from treasury at the sale price of \$6.00 per common share. Gross proceeds of \$2,101 were received and issue related expenses of \$114 were incurred. The net proceeds of \$1,987 was credited to share capital.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2009

All shares were issued from treasury and represent approximately 6.3% of the common shares outstanding after the private placement. In order to facilitate the private placement, Prism has guaranteed borrowings of some subscribers to the private placement in the amount of \$1,760 from HSBC Bank Canada and HSBC Bank USA, National Association on normal banking terms.

Dividends

The Company paid a dividend on April 1, 2009, in the amount of \$0.075 per common share totaling \$388 and a dividend on June 26, 2009 in the amount of \$0.075 per common share totaling \$387.

Incentive stock option plan

The Company has an incentive stock option plan [the "Plan"], which provides for the granting of options to directors, officers, and key employees. The plan was amended and restated on May 29, 2009. The maximum number of shares that may be issued under the plan is 735,000 [2008 - 490,000] common shares of which 510,000 options have been granted.. The exercise price of common shares subject to an option is determined at the time of grant and the price cannot be less than the closing market price of the common shares of the Company on the TSX Venture Exchange on the day of the grant. Options generally expire three years after the grant date and are also subject to early expiry in the event of death, resignation, dismissal or retirement of an optionee. Options generally vest over a three year period, one-third on each of the first, second and third anniversary of the grant date.

A summary of the plan and changes during each of 2008 and the nine months ending August 31, 2009 are as follows:

	Nine Months ending August 31, 2009		November 30, 2008	
	Options on common shares #	Weighted average exercise price \$	Options on common shares #	Weighted average exercise price \$
Outstanding, beginning of period	435,000	5.16	200,000	4.47
Granted	75,000	5.77	435,000	5.16
Exercised	-	-	(150,000)	4.42
Expired	-	-	(15,000)	5.07
Forfeited	(25,000)	5.75	(35,000)	4.41
Outstanding, end of period	485,000	5.22	435,000	5.16
Options exercisable at the period end	136,687	5.12	-	-

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2009

The following table summarizes information about options outstanding at August 31, 2009:

Exercise price \$	Options outstanding		
	Number outstanding #	Weighted average remaining contractual life [years]	Weighted average exercise price \$
3.61	120,000	1.53	3.61
5.31	25,000	2.69	5.31
5.75	290,000	1.93	5.75
6.00	50,000	2.92	6.00
	485,000	1.97	5.22

Exercise price \$	Options exercisable	
	Number outstanding #	Weighted average exercise price \$
3.61	40,000	3.61
5.75	96,687	5.75
	136,687	5.12

The Company accounts for options granted after December 1, 2003 under the fair value method. During the first nine months of 2009, 75,000 [2008 – 435,000] options were granted and the Company recorded as compensation expense \$59 [2008 – \$52].

The fair value of options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

- Risk-free interest rate 3.07%
- Expected volatility 10%
- Expected life of the options 3 years
- Expected dividend yield 3.80%

The Black-Scholes option valuation model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. The Company's options are not transferable, cannot be traded and are subject to vesting restrictions and exercise restrictions under the Company's blackout policy. Changes to the subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2009

Earnings per share

The following is a reconciliation of the numerator and denominator of earnings per share computations:

	Three months ended		Nine months ended	
	August 31	August 31	August 31	August 31
	2009	2008	2009	2008
	\$	\$	\$	\$
Net income for period	820	1,065	3,260	2,971
After-tax interest expense on convertible debentures	183	195	536	569
Adjusted net income for fully diluted earnings per share	1,003	1,260	3,796	3,540
Weighted average number of common shares outstanding (in thousands)	5,197	4,961	5,183	4,902
Effect of dilutive securities	2,753	2,936	2,753	2,933
Diluted weighted average shares outstanding	7,950	7,897	7,936	7,835
Earnings per share				
Basic	\$0.16	\$0.21	\$0.63	\$0.61
Diluted	\$0.13	\$0.16	\$0.48	\$0.45

6. CAPITAL DISCLOSURE

The Company manages capital in order to safeguard its ability to continue as a going concern, provide returns to shareholders through a dividend policy and provide the ability to finance growth, organically and through acquisitions. Capital includes shareholders' equity, bank indebtedness and long-term debt, net of cash. The Company manages its capital structure and may make adjustments to the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to issuer bids, issue new shares, issue new debt, repurchase existing debt and extend or amend its bank facilities to respond to market and economic conditions.

The Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by the adjusted capital. Net debt is calculated as total debt (as shown on the balance sheet) less cash. Adjusted capital comprises all components of equity (as shown on the balance sheet) and subordinated debt.

The objectives, policies and processes to manage capital are unchanged from the previous period.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2009

The debt-to-adjusted capital ratios at August 31, 2009 and November 30, 2008 were as follows:

	August 31, 2009 \$	November 30, 2008 \$
Total debt	22,690	19,389
Less: cash	(17)	(200)
Net debt	22,673	19,189
Total equity	20,450	17,829
Plus: subordinated debt	9,724	9,747
Adjusted capital	30,174	27,576
Debt-to-adjusted capital ratio	0.75	0.70

7. SEGMENTED INFORMATION

The Company is organized and managed as a single operating segment being a supplier of medical products and the Company is viewed as a single operating segment by the chief operating decision maker for the purposes of resource allocations and assessing performance.

Domestic and foreign operations consist of the following:

Geographic segments	Three months ended		Nine months ended	
	August 31 2009 \$	August 31 2008 \$	August 31 2009 \$	August 31 2008 \$
Revenue				
USA	4,263	2,562	14,574	5,849
Canada	2,003	2,084	8,568	7,984
United Kingdom	8,896	7,822	24,042	22,085
Total	15,162	12,468	47,184	35,918
			August 31 2009 \$	August 31 2008 \$
Property, plant and equipment and goodwill				
USA			3,175	1,447
Canada			1,685	1,300
United Kingdom			17,280	16,824
Total			22,140	19,571

Revenues are attributed to countries based on the location of the customer.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2009

8. STATEMENT OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	Three months ended		Nine months ended	
	August 31 2009 \$	August 31 2008 \$	August 31 2009 \$	August 31 2008 \$
Accounts receivable	149	(2,717)	371	(1,455)
Inventories	(887)	(592)	(52)	(1,400)
Prepaid expenses	(207)	203	(568)	(123)
Other receivables	220	(49)	206	404
Income taxes	-	278	134	148
Accounts payable and accrued liabilities	481	(326)	(1,862)	(902)
Income taxes payable	247	258	750	555
Total	3	(2,945)	(1,021)	(2,152)

9. FINANCIAL INSTRUMENTS

Long-term debt consists of the following:

	August 31	November 30
	2008 \$	2008 \$
Convertible debentures	9,724	9,747
Term loans	4,466	3,214
Promissory notes payable	1,446	1,010
Capital leases	-	3
Total	15,636	13,974

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2009

a) Contractual obligations

As at August 31, 2009, the Company was contractually obligated to make payments under its long-term debt agreement and operating lease obligations that come due during the following periods:

	Long-term debt maturities	Long-term debt interest	Lease obligations	Total
	\$	\$	\$	\$
2009 from August 31, 2009	534	355	251	1,140
2010	3,587	1,134	952	5,673
2011	12,692	797	880	14,369
2012	1,817	79	597	2,493
2013	798	30	379	1,207
2014 and beyond	240	4	67	311
Total	19,668	2,399	3,126	25,193

The long-term debt interest comprises interest on the bank term loan, convertible debentures, promissory notes payable and capital leases. The variable rate portion of the interest has been estimated using current interest rates and current exchange rates for that portion of the debt not denominated in Canadian dollars.

Amounts due to creditors included in accounts payable and accrued liabilities are generally satisfied within the current year and bank indebtedness is due on demand.

b) Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of accounts receivable. Most of the Company's receivables are due from large well funded health institutions and our dealer network. The vast majority of receivables are outstanding within our normal trade terms.

The maximum exposure to credit risk is the balance of the Company's accounts receivable and other receivables of \$12,660, as shown on the balance sheet. The allowance for doubtful accounts related to balances due from customers is not material and represents less than 2% of the total accounts receivable. The Company's allowance for doubtful accounts is maintained at a level which is considered adequate to absorb future credit losses.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2009

c) Liquidity risk

The Company has adequate liquidity to meet its financial liabilities, as it has sufficient cash flow from operations to service its debt obligations in addition to a \$12.5 million operating line of credit of which \$9.1 million remained unused at the end of the period.

d) Interest rate risk (market risk)

The Company's financial liabilities that are exposed to interest rate risk, which consist primarily of the bank operating facility, term loan and revolving term loan facility, all bear interest at rates varying with the bank prime rate.

The Company has long-term debt with fixed interest rates. Should current interest rates for debt with similar terms and maturities fluctuate materially, the fair value of the Company's long-term debt may change relative to its carrying value.

A change in the prime interest rate by 100 basis points will change interest expense by \$93 per annum.

e) Foreign exchange risk (market risk)

The Company has financial liabilities that are exposed to foreign exchange rate risk which consist primarily of its net investment in foreign self-sustaining operations.

The Company is exposed to significant gains or losses on foreign exchange fluctuations between the Canadian dollar and the British pound sterling related to its net investment in, and net income of its UK subsidiary. A strengthening of the Canadian dollar by 1 percent will result in a reduction of other comprehensive income by \$236.

Similarly, the Company is exposed to significant gains or losses on foreign exchange fluctuations between the Canadian dollar and the United States dollar related to its net investment in, and net income of its US subsidiary. A strengthening of the Canadian dollar by 1 percent will result in a reduction of other comprehensive income by \$50.