QHR Technologies Inc.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

For further information, please contact:
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Grant Thornton

Independent auditor's report

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To the Shareholders of QHR Technologies Inc.

We have audited the accompanying consolidated financial statements of QHR Technologies Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, comprehensive income (loss) and deficit and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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 audit. We conducted our audit 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 consolidated financial position of QHR Technologies Inc. as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Vancouver, Canada

April 27, 2011

Chartered accountants

QHR TECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Current Assets		
Cash	$ 4,621,810	$ 1,037,609
Accounts receivable	2,834,197	2,206,851
Inventory	70,238	31,390
Prepaid expenses and deposits	617,660	737,241
Future income tax asset (Note 20)	587,000	-
Investment tax credits receivable (Note 6)	-	579,092
	8,730,905	4,592,183
Accounts receivable (Note 8)	-	82,874
Property and equipment (Note 9)	1,613,675	1,307,812
Future income tax asset (Note 20)	957,000	-
Goodwill (Notes 5 and 10)	2,956,625	2,919,181
Intangible assets (Note 11)	8,189,170	8,825,663
	$ 22,447,375	$ 17,727,713
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,798,158	$ 3,677,266
Promissory notes payable (Note 5)	84,016	3,205,174
Current portion of long-term debt (Note 12)	-	395,526
Current portion of capital lease obligations (Note 13)	438,625	366,659
	4,320,799	7,644,625
Deferred revenue	1,667,081	2,081,412
	5,987,880	9,726,037
Long-term debt (Note 12)	-	1,518,293
Capital lease obligations (Note 13)	517,919	374,980
	6,505,799	11,619,310
SHAREHOLDERS' EQUITY		
Share capital (Note 14)	17,669,668	9,559,282
Contributed surplus (Note 15)	248,796	134,165
Warrants (Note 14)	1,024,343	477,709
Deficit	(3,001,231)	(4,062,753)
	15,941,576	6,108,403
	$ 22,447,375	$ 17,727,713

Commitments (Note 18)
Contingencies (Note 22)
Subsequent event (Note 23)

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

On behalf of the Board of Directors,

"Alvin Hildebrandt"
Director

"David Martin"
Director

QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
REVENUE	$ 19,070,900	$ 13,822,994
OPERATING EXPENSES		
Cost of goods sold (Note 7)	1,945,026	832,005
Service costs	7,983,610	5,608,349
Selling and administrative expenses	6,681,652	4,638,819
	16,610,288	11,079,173
Earnings before the following items	2,460,612	2,743,821
Stock-based compensation expense	158,857	109,705
Amortization of property and equipment	682,737	374,502
Amortization of intangible assets	1,136,947	584,533
Interest expense	635,969	318,374
Loss on sale of capital assets	46,924	-
Loss on foreign exchange	5,656	2,470
	2,667,090	1,389,584
(Loss) earnings before income taxes	(206,478)	1,354,237
Recovery of income taxes (Note 20)		
Current	-	-
Future	(1,268,000)	-
	(1,268,000)	-
Net earnings and comprehensive income	1,061,522	1,354,237
Deficit, beginning of year	(4,062,753)	(5,416,990)
Deficit, end of year	$ (3,001,231)	$ (4,062,753)
Basic earnings per share	$ 0.04	$ 0.06
Diluted earnings per share	$ 0.03	$ 0.05
Basic weighted average number of shares outstanding	30,109,936	24,512,973
Effect of dilutive stock options	572,424	754,967
Diluted weighted average number of shares outstanding	30,682,360	25,267,940

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

QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING ACTIVITIES		
Net earnings	$ 1,061,522	$ 1,354,237
Items not affecting cash		
Write-off of intangible assets	-	93,766
Amortization of property and equipment	682,737	374,502
Loss on disposition of property and equipment	46,924	-
Amortization of intangible assets	1,136,947	584,533
Stock-based compensation	158,857	109,705
Accretion on long-term debt	42,284	33,881
Provision for future income tax asset	(1,268,000)	-
Changes in non-cash operating assets and liabilities		
Accounts receivable	(544,472)	(376,552)
Inventory	(38,848)	38,236
Prepaid expenses and deposits	119,581	(219,573)
Investment tax credits	579,092	380,000
Accounts payable and accrued liabilities	145,892	1,129,911
Deferred revenue	(414,331)	(693,965)
	1,708,185	2,808,681
INVESTING ACTIVITIES		
Purchase of property and equipment	(420,087)	(126,227)
Business acquisition net of cash acquired	(26,887)	(4,768,371)
Acquisition of intangible assets	(500,454)	(574,715)
	(947,428)	(5,469,313)
FINANCING ACTIVITIES		
Increase in long-term debt	-	2,095,000
Repayment of long-term debt	(1,956,103)	(543,022)
Repayment of capital leases	(400,532)	(269,793)
Increase in promissory notes	500,000	-
Repayment of promissory note	(3,466,998)	-
Proceeds from share issuances, less issue costs	8,147,077	2,317,422
	2,823,444	3,599,607
Increase in cash	3,584,201	938,975
Cash - beginning of year	1,037,609	98,634
Cash - end of year	$ 4,621,810	$ 1,037,609

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

Supplemental cash flow disclosure		
Interest paid	$ 635,969	$ 318,374
Non-cash financing and investing activities:		
Capital assets acquired under capital lease obligations	615,437	357,076
Promissory notes paid through the issuance of common shares	164,717	-
Common shares issued for settlement of accounts payable	25,000	-
Promissory notes issued in business acquisition (Note 5)	10,557	3,205,174
Share capital issued, acquisition of assets (Note 14(c))	-	425,600

1. NATURE OF OPERATIONS

QHR Technologies Inc. (the “Company” or “QHR”) is a public company whose shares are traded on the TSX Venture Exchange (TSXV: QHR). The Company’s principal business is the development and delivery of human resource management, payroll, staff scheduling and financial software systems for the healthcare organizations, social services and public safety sectors as well as electronic medical records applications for physicians’ medical offices.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of QHR and its wholly owned subsidiaries, QHR Software Inc., Optimed Software Corporation, Cloudwerx Data Solutions Inc., and Clinicare Corporation. On December 31, 2010, the following non-operating companies: QHR Atlantic Software Inc., QHR Central Software Inc. and Canawork Corporation were amalgamated with QHR Software Inc. Also on December 31, 2010, the inactive company Clinicvault Inc. was amalgamated with Cloudwerx Data Solutions Inc. All inter-company transactions and balances have been eliminated.

Use of estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

The revenue to recognize each period, the provision for uncollectible accounts receivable, the recoverable amount and estimated useful life of intangible assets, the fair value of goodwill, the fair value of stock options and warrants granted, the valuation allowance for future income tax assets, the valuation of investment tax credits and the useful lives of property and equipment are based on management estimates. Management reviews significant estimates on a periodic basis and, where necessary, makes adjustments prospectively.

Revenue Recognition

The Company recognizes revenue from software licensing pursuant to Emerging Issues Committee (“EIC”) Abstract 142, which is generally once delivery has occurred, evidence of an arrangement exists, the fee is fixed or determinable, collection of the fee is probable and there are no significant vendor obligations remaining. For multiple element arrangements where Vendor Specific Objective Evidence (“VSOE”) of fair value is available for all elements, the contract value is allocated to each element based upon relative VSOE of fair value and revenue is recognized separately for each element. Where VSOE of fair value is available for all undelivered elements, the “residual method” is used to value the delivered elements. Where VSOE of fair value is not available for an undelivered element, all revenue for the arrangement is deferred until the earlier of the point at which VSOE of fair value does exist or until all elements of the arrangement have been delivered, unless the undelivered elements are post contract customer support arrangements in which case the revenue is recognized on a straight line basis, or in the case of services, the arrangement revenue is recognized as the services are provided.

Software license revenue is recognized after delivery and acceptance by clients in accordance with the terms of each contract. Revenue derived from the sale of support and maintenance service contracts is recognized on a straight-line basis over the term of the contract. The unearned portion of the contract is reported as deferred revenue.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company recognizes revenue from implementation and consulting fees for services rendered during the initial support and maintenance period, upon completion of the initial period. The remaining implementation and consulting services fees are recognized as services are rendered.

Inventory

Inventory consists of computer hardware and is valued at the lower of cost, determined on a first in - first out basis, and net realizable value.

Cash and cash equivalents

All highly liquid investments with an original maturity date of three months or less at the date of purchase are classified as cash and cash equivalents.

Property and equipment

Property and equipment are recorded at cost. The Company provides for amortization using the straight-line method over the estimated useful lives of the depreciable assets as follow:

Furniture and fixtures	10 years
Office equipment	5 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvements	10 years

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property to the Company is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the future minimum lease payments and the property's fair value at the beginning of such lease. Amortization of the equipment under capital lease is on the same basis as similar property and equipment.

Assets under capital lease obligations

Leases that transfer substantially all of the benefits and risks of ownership of the assets to the Company are accounted for as capital lease obligations. An asset is recorded together with the related capital lease obligation. Assets under capital lease obligations are amortized over their estimated useful lives at the same rate as other similar assets.

Intangible assets

Intangible assets are recorded at cost and are amortized on the straight-line basis over their economic lives as follows:

Developed technology	5 years
Contracted development	3 years
Customer relationships	3 to 10 years
Acquired technology	3 to 7 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's intangible assets consist of values attributed to developed technology, contracted development, customer relationships, and acquired technology resulting from acquisitions (Note 5). The cost associated with the development of internally produced proprietary software is recorded as either developed technology or contracted development. Software in development is amortized upon commercial release of the software.

Goodwill

Goodwill is the amount by which the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on fair values. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate the value of the assets might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared to its fair value. When the fair value of a reporting unit exceeds its carrying value, then the goodwill of the reporting unit is considered to be not impaired and the second step is not required. The second step of the impairment test is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the fair value of the reporting unit's goodwill is compared to its carrying amount to measure the amount of impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the fair value of the goodwill, an impairment loss is recognized in net income for the period in an amount equal to the excess.

Financial instruments

Financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets available for sale, assets held for trading, and derivative financial instruments, whether part of a hedging relationship or not, are measured at fair value on the balance sheet at each reporting date. Other financial liabilities, loans and receivables, and held to maturity investments are measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

- Cash is classified as financial assets held for trading and is measured at fair value;
- Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest rate method;
- Accounts payable and accrued liabilities, promissory notes payable and long-term debt are classified as other liabilities and are measured at amortized cost using the effective interest rate method.

Comprehensive income

Comprehensive income requires the presentation of comprehensive income and its components in a financial statement. Comprehensive income includes net earnings and other comprehensive income (OCI). The Company had no OCI transactions during the year and no opening or closing balances for accumulated OCI.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Management regularly reviews the carrying value of property and equipment and intangible assets for potential impairment, considering events or changes in circumstances indicating that the carrying value may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its future estimated undiscounted cash flows. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset and is charged against earnings in the year such impairment occurs.

Research and development costs

The Company incurs costs to research and develop its proprietary software products to be sold, licensed or otherwise marketed. Research costs are expensed as incurred. Development costs are expensed as incurred unless a project meets the criteria under Canadian GAAP for capitalization and amortization. In this case the development costs are capitalized and amortized over the estimated useful life of the software product developed. 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 government assistance

The benefits of investment tax credits ("ITCs") for scientific research and experimental development expenditures ("SRED") are recognized in the year the qualifying expenditure is made providing there is reasonable assurance of recoverability. The ITC's recorded are based on management's estimates of amount expected to be recovered and are subject to audit by taxation authorities. The ITC reduces the carrying cost of expenditures for equipment and research and development expenses to which they relate.

Government assistance is recorded as a reduction of expenses when the Company has complied with all conditions necessary to receive the grants, collectability is reasonably assured and the related or carrying cost of amounts are not repayable.

Stock-based compensation

The Company has a stock-based compensation plan as disclosed in Note 14(d) whereby stock options are granted in accordance with the policies of applicable regulatory authorities. Any consideration paid by employees and directors upon the exercise of stock options is recorded as share capital. The Company records stock-based compensation based on the estimated fair market value of the stock options granted over the estimated vesting period of the stock options.

Basic and diluted earnings per share

Basic earnings per share are computed by dividing earnings by the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution that would occur if dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the "treasury stock" method and the effect of convertible securities by the "if converted" method. Diluted amounts are not presented when the effect of the computations is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Company accounts for income taxes using the liability method. Under this method, future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of existing assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not they can be realized. The effect on future income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at year-end exchange rates. Non-monetary items are translated at historical exchange rates. Income and expense items are translated at the exchange rates in effect on the date of the transaction. Resulting exchange gains or losses are included in earnings when incurred.

Comparative Figures

Comparative figures have been reclassified where necessary to be consistent with the presentation adopted in the current year.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

In January 2009, the following Canadian Institute of Chartered Accountants ("CICA") Handbook sections were issued: Section 1582, Business Combinations ("Section 1582"), Section 1601, Consolidated Financial Statement ("Section 1601"), and Section 1602, Non-controlling interests ("Section 1602"), Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1601 and Section 1602 establish standards for the preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. These standards are required for the Company's fiscal year beginning January 1, 2011. Earlier adoption is permitted which requires all three sections be adopted at the same time. The Company will adopt these sections effective January 1, 2011.

Under Section 1582, the definition of a business is expanded. Acquisition related costs, other than costs to issue debt or equity securities, of the acquirer, will no longer be capitalized, but rather expensed as incurred. Assets acquired and liabilities assumed can be recorded at 100% of fair value of the acquiree even if less than 100% is obtained. Under Section 1602, non-controlling interests are classified as part of equity and net income or loss and total comprehensive income or loss will include the portion attributable to non-controlling interests.

4. CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Accounting Standards Board of the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Early conversions to IFRS for fiscal years beginning on or after January 1, 2009 were also be permitted, however the company did not opt for early adoption.

5. BUSINESS COMBINATIONS

Momentum Finance Division

On January 19, 2009 the Company announced that it was acquiring the financial software division of Momentum Healthware Inc. ("Momentum" or "the Division"). The effective date of the acquisition was January 15, 2009, and the results of Momentum have been included in the Company's consolidated financial statements since that date. Consideration for the purchase was $5,000,000, less an adjustment for working capital of $450,000, for net consideration of $4,550,000.

To partially finance the transaction, the Company secured three-year term loans totaling $1,145,000 bearing an interest rate of 12% per annum. In addition to interest, lenders received 200 common shares of QHR for each $1,000 of loan principal. The Company issued 229,000 common shares valued at $62,134 in conjunction with this financing. Certain related parties including directors, senior management and their immediate family members provided $850,000 of the $1,145,000 financing (Note 19). The balances of these loans were repaid in full on December 30, 2010.

The Division provides customized financial software to medium and large healthcare facilities, the same market segment that QHR targets with its payroll, scheduling and human resource management software.

The acquisition was accounted for using the purchase method, where the assets acquired and liabilities assumed were recorded at their estimated fair values as of the date of acquisition. Details of the consideration given and of the fair values of net assets acquired are as follows:

Cash consideration	$ 4,550,000
Legal and other purchase costs	71,946
Purchase price	$ 4,621,946
Assets and liabilities acquired at fair values	
Current net assets	$ 467,347
Property and equipment	9,510
Customer relationships	1,981,000
Acquired technology	1,092,000
Deferred revenue	(1,147,000)
Goodwill	2,219,089
	$ 4,621,946

Legal and other purchase costs have been adjusted in the first quarter of 2010 to reflect the change in actual costs to $71,946 from the estimate of $61,371 made at December 31, 2009. The goodwill that is expected to be deductible for income tax purposes is approximately $1,650,000.

Clinicare Corporation

On December 8, 2009, the Company announced that it had made an offer to acquire 100 percent of the outstanding common shares of Clinicare Corporation ("Clinicare"), a privately held company incorporated in Alberta. As at December 31, 2009, the Company had acquired 100% of Clinicare Class A common shares and 57.6% of Clinicare Class B common shares and during 2010 the Company acquired the remaining Class B common shares. The acquisition was effective December 1, 2009 and the results of Clinicare have been included in the Company's consolidated financial statements since that date. Clinicare provides electronic medical records (EMR) software to the electronic medical records market.

5. BUSINESS COMBINATIONS (continued)

To partially fund the transaction, in addition to funding ongoing expansion, the Company secured a $1,000,000 four-year term loan at an interest rate of 14% per annum from the Southern Interior Development Initiative Trust (Note 12). To finance the balance of the transaction the Company issued promissory notes for $3,810,557. These promissory notes were subsequently adjusted to $3,215,731 to reflect the final purchase price. The promissory notes bear interest at 10% per annum with 2/3 of the principal repayable on January 3, 2010 and the balance repayable on February 2, 2010. Interest rates on any unpaid portion of the notes escalate at a rate of 1% per week if overdue, to a maximum of 25%, until paid in full. At the option of the note holder, repayment could be made by cash or common shares of the Company at a price of $0.65 per share. During 2010, the Company repaid $3,631,715 of these notes through the issuance of 253,412 common shares and the payment of $3,466,998 in cash.

The promissory notes are secured by a guarantee of Clinicare Corporation and a security interest on the annual billings of Clinicare Corporation to its customers for 2010 support and maintenance proceeds. Certain Class A shareholders dispute adjustments made by the Company in arriving at the final purchase price for their shares and, as a result, the Company has not paid out the full amount of their promissory notes pending resolution of this dispute (Note 22). At December 31, 2010, referencing the final purchase price as calculated by the Company, the unpaid balance of the promissory notes was $84,016.

The acquisition was accounted for using the purchase method where the assets acquired and the liabilities assumed were recorded at their fair value as of the date of the acquisition. Details of the consideration given and of the fair values of net assets acquired are as follows:

Cash consideration	$ 250,000
Promissory notes payable	3,215,731
Legal and other purchase costs	173,313
Purchase price	$ 3,639,044
Assets and liabilities acquired at fair values	
Current assets	$ 933,100
Current liabilities	(2,097,457)
Property and equipment	231,262
Acquired technology	528,000
Customer relationships	4,072,000
Deferred Revenue	(400,000)
Goodwill	372,139
Net assets acquired	$ 3,639,044

Legal and other purchase costs have been adjusted in 2010 to reflect the change in actual costs to $173,313 from the estimate of $157,000 made in December 2009. The Promissory notes payable were also adjusted in 2010 to the final amount issued of $3,215,731 from the estimate of $3,205,174 made in December 2009. The goodwill is not deductible for income tax purposes.

6. INVESTMENT TAX CREDITS RECEIVABLE

In 2009, the Company acquired Clinicare Corporation ("Clinicare") which included outstanding claims for Scientific Research and Experimental Development (SRED) for the eleven month period ended November 30, 2009. Clinicare was a Canadian Controlled Private Corporation at that date and as such would be entitled to a cash refund for investment tax credits arising from approved expenditures. In 2009, the refund of $579,092 and the consulting fees of $58,326 payable to the firm that managed the claim were included in the summary of assets and liabilities acquired in the Clinicare Corporation business combination (Note 5). During fiscal 2010, the Company received the investment tax credit refund and paid the consulting fees to the firm that managed the SRED claim.

7. COST OF GOODS SOLD

The hosting business activities include the sale of computer hardware and third party software and as such, the Company records the cost of these items as cost of goods sold on the Consolidated Statement of Operations, Comprehensive Income and Deficit. For the year ended December 31, 2010, an amount of $413,623 related to inventory was included in cost of goods ($25,129 in fiscal 2009).

8. NON-CURRENT ACCOUNTS RECEIVABLE

	2010	2009
Accounts receivable relating to long-term contracts with health care organizations	$ -	$ 119,062
Accounts receivable relating to data hosting clients	-	98,165
	-	217,227
Less current portion	-	(134,353)
Total non–current accounts receivable	$ -	$ 82,874

The non-current accounts receivable relating to long-term contracts with health care organizations are unsecured and non-interest bearing. The book value of the receivables at December 31, 2010 was $ nil. The book value of the receivables at December 31, 2009 was $224,328 less an effective interest rate adjustment of $7,101 for a net value of $217,227.

9. PROPERTY AND EQUIPMENT

2010	Cost	Accumulated Amortization	Net
Furniture and fixtures	$ 278,526	$ 75,906	$ 202,620
Office equipment	223,403	98,053	125,350
Computer – hardware	2,765,933	1,829,410	936,523
Computer – software	589,965	501,228	88,737
Leasehold improvements	475,635	215,190	260,445
	$ 4,333,462	$ 2,719,787	$ 1,613,675

At December 31, 2010 the cost and accumulated amortization of capital assets acquired under capital lease obligations are $1,084,933 and $357,462 respectively.

2009	Cost	Accumulated Amortization	Net
Furniture and fixtures	$ 307,024	$ 179,931	$ 127,093
Office equipment	196,541	153,847	42,694
Computer – hardware	2,153,311	1,339,453	813,858
Computer – software	541,776	410,641	131,135
Leasehold improvements	554,146	361,114	193,032
	$ 3,752,798	$ 2,444,986	$ 1,307,812

At December 31, 2009 the cost and accumulated amortization of capital assets acquired under capital lease obligations are $1,255,675 and $571,292 respectively.

QHR TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

10. GOODWILL

2010	EMS	EMR	Hosting	Total
Balance, beginning of year	$ 2,208,514	$ 403,822	$ 306,845	$ 2,919,181
Adjustments (Note 5)	10,575	26,869	-	37,444
Balance, end of year	$ 2,219,089	$ 430,691	$ 306,845	$ 2,956,625

2009	EMS	EMR	Hosting	Total
Balance, beginning of year	$ -	$ 58,553	$ 306,845	$ 365,398
Business acquisitions (Note 5)	2,208,514	345,269	-	2,553,783
Balance, end of year	$ 2,208,514	$ 403,822	$ 306,845	$ 2,919,181

11. INTANGIBLE ASSETS

2010	Cost	Accumulated Amortization	Net
Customer relationships	$ 7,126,000	$ 1,309,460	$ 5,816,540
Acquired technology	2,192,500	1,066,619	1,125,881
Developed technology	1,364,555	150,991	1,213,564
Contract development	91,897	58,712	33,185
	$ 10,774,952	$ 2,585,782	$ 8,189,170

2009	Cost	Accumulated Amortization	Net
Customer relationships	$ 7,126,000	$ 606,703	$ 6,519,297
Acquired technology	2,192,500	734,619	1,457,881
Developed technology	864,101	79,433	784,668
Contract development	91,897	28,080	63,817
	$ 10,274,498	$ 1,448,835	$ 8,825,663

12. LONG-TERM DEBT

	2010	2009
Community Futures loan dated August 1, 2007, repayable in 42 monthly installments of $2,045 including interest at 8.5% per annum. The loan was secured by a general security agreement. The loan was repaid in December 2010.	$ -	$ 22,730
Harbourfront Holdings, interest only payments at 10% interest per annum, with principal due and payable by April 15, 2010. The loan was secured by a general security agreement subordinated to the Community Futures loan but ranking pari passu with the loan from UL Capital Corp. The loan was repaid in April 2010.	-	100,000
UL Capital Corp, principal of $190,000 less $9,000 adjustment to fair value in respect of the interest free portion of the loan, repayable starting December 1, 2008 at $10,000 per month plus interest, and continuing each month until repaid in full. The interest rate was 0% per annum until August 31, 2009 and became 8% per annum effective September 1, 2009. The loan was secured by a general security agreement subordinated to the Community Futures loan but ranking pari passu with the loans from Harbourfront Holdings. The loan was repaid in June 2010.	-	70,000
Southern Interior Development Initiative Trust loan dated October 28, 2009, repayable in 48 blended monthly installments of $27,326, including interest at 14% per annum compounded monthly, commencing November 1, 2009. The loan was secured by a general security agreement subordinated to the Momentum acquisition loans and Dell Financial Services Canada Limited capital leases. The loan was repaid in December 2010.	-	984,340
Momentum acquisition loans (Note 5), dated January 15, 2009, maturing January 15, 2012, including interest at 12% per annum compounded quarterly, payable monthly and bonus interest of 200 common shares of the Company for each $1,000 of amount loaned (Note 14). The loans were secured by a general security agreement. The Company exercised its right on December 30, 2010 to prepay the loans prior to maturity by payment of one month of additional interest. The loan was repaid in December 2010.	-	736,749
	-	1,913,819
Less current portion	-	(395,526)
	$ -	$ 1,518,293

13. CAPITAL LEASE OBLIGATIONS

Capital lease obligations are payable in monthly installments with interest at 8% to 14.9% per annum, to December 2013, secured by certain computer equipment, furniture and fixtures.

Minimum lease payments over the next five years and thereafter amount to:	**2010**	2009
2010	$ -	$ 406,667
2011	528,885	255,848
2012	353,878	133,052
2013	208,912	48,930
2014 and thereafter	-	-
Total minimum lease payments	1,091,675	844,497
Lease payment amounts representing interest	135,131	102,858
Present value of net minimum capital lease payments	956,544	741,639
Current portion of capital lease obligations	(438,625)	(366,659)
	$ 517,919	$ 374,980

14. SHARE CAPITAL

Authorized	Unlimited common shares without par value
Issued	Unlimited Class A Preference shares

	2010		2009	
	Number	Amount	Number	Amount
Balance, beginning of year	28,088,509	$ 9,559,282	22,395,759	$ 7,213,514
Issued with Momentum acquisition loans (Note 5)	-	-	229,000	62,134
Issued on acquisition of assets from SEBO Systems Inc. (Note 14(c))	-	-	700,000	425,600
Warrants extension (Note 14(e))	-	-	-	(19,796)
Issued with Clinicare acquisition loans (Note 5)	253,412	164,717	-	-
For cash			-	-
Pursuant to private placement at $0.50 (Note 14(b))	-	-	2,000,000	1,000,000
Less: value of warrants	-	-	-	(342,000)
Pursuant to private placement at $0.60 (Note 14(b	-	-	1,250,000	750,000
Less: value of warrants	-	-	-	(143,563)
Pursuant to private placement at $0.65 (Note 14(b))	1,600,000	1,040,000	-	-
Less: value of warrants	-	(100,480)	-	-
Pursuant to public offering at $0.65 (Note 14(a))	12,307,700	8,000,005	-	-
Less: value of warrants	-	(446,154)	-	-
Share issue costs for private placements	-	(10,475)	-	(33,791)
Share issue costs for public offering	-	(957,703)	-	-
Tax effect of share issue costs	-	276,000	-	-
Warrants exercised (Note 14(e))	-	-	1,468,500	628,371
Shares cancelled	-	(2,500)	-	-
From contributed surplus re options exercised (Note 15)	-	44,226	-	5,000
Options exercised (Note 14(d))	411,000	102,750	45,250	13,813
Balance, end of year	42,660,621	$ 17,669,668	28,088,509	$ 9,559,282

14. SHARE CAPITAL (continued)

(a) Public offering

On December 22, 2010, the Company completed a public offering, under a short form prospectus, which comprised a total of 12,307,700 units of the Company at a price of $0.65 per unit for total gross proceeds of $8,000,005. Each unit consisted of one common share of the Company and one-half of one non-transferable purchase warrant with each whole warrant entitling the holder to acquire for one additional common share of the Company exercisable at a price of $0.90 within the first year after closing or $1.00 within the second year after closing.

(b) Private placements

On March 16, 2010, the Company completed a non-brokered private placement of 1,600,000 units with each unit priced at $0.65 and consisted of one common share and one-half non-transferable share purchase warrant. One whole warrant entitled the holder to purchase one additional common share of the Company exercisable at a price of $0.75 until March 16, 2011. The private placement yielded proceeds of $1,040,000 less $6,500 paid to one finder and $3,675 in legal costs in connection with the private placement. All securities issued in connection with this private placement were subject to a four month hold period which expired on July 17, 2010.

On November 30, 2009, the Company completed a private placement financing which comprised a total of 1,250,000 units of the Company at a price of $0.60 per unit for total gross proceeds of $750,000. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. One whole warrant entitled the holder to purchase one additional common share of the Company exercisable at a price of $0.75 for a period of two years from the closing date.

On June 10, 2009, the Company completed a private placement financing which comprised a total of 2,000,000 units of the Company at a price of $0.50 per unit for total gross proceeds of $1,000,000. Each unit consisted of one common share of the Company and one non-transferable share purchase warrant entitling the holder to acquire one additional common share of the Company exercisable at a price of $0.60 within the first year after closing or $0.70 within the second year after closing.

(c) SEBO Systems Inc. asset acquisition

During 2009, the Company acquired certain assets from SEBO Systems Inc. consisting of accounts receivable of $98,165 and capital assets of $327,435. These assets were acquired through the issuance of 700,000 of the Company’s common shares valued at $425,600.

(d) Stock-based compensation plan

The Company has a stock option plan (the “Plan”) pursuant to which options to subscribe for common shares of the Company may be granted to certain officers, employees and consultants of the Company. The board of directors administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted.

The exercise price of each option granted under the Plan is fixed by the board, but cannot under any circumstances be less than the closing price of the Company’s shares on the last trading day prior to the date of the grant, less any discount permitted by the Toronto Stock Exchange, but, in any event, not less than $0.10 per share. Options granted shall be non-assignable and non-transferable and shall not have a term in excess of five years.

14. SHARE CAPITAL (continued)

The Company has granted employees, directors and certain consultants common share purchase options. A summary of the status of the stock option plan as of December 31, 2010 and December 31, 2009 and changes during the years ended on those dates is presented below.

	2010		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	2,071,000	$0.37	1,000,000	$0.25
Granted	750,000	$0.60	1,200,000	$0.45
Forfeited	(286,250)	$0.51	(83,750)	$0.25
Exercised	(411,000)	$0.25	(45,250)	$0.25
Options outstanding, end of year	2,123,750	$0.45	2,071,000	$0.37

The options outstanding at December 31, 2010 expire as follows:

Expiry Date	Number of Shares Optioned	Weighted Average Remaining Contractual Life (months)	Weighted Average Exercise Price of Outstanding Options	Number of Shares Optioned that are Vested	Weighted Average Exercise Price of Vested Options
July 31, 2013	885,000	31	0.25	794,395	0.25
October 21, 2014	488,750	46	0.60	283,750	0.60
December 31, 2012	750,000	24	0.60	187,500	0.60
	2,123,750	32	$ 0.45	1,265,645	$ 0.38

The fair value of the options issued in the year was determined using the Black-Scholes Option Pricing Model with the following assumptions:

	2010	2009
Risk-free rate	1.18%	1.41% to 2.08%
Expected volatility	63.6%	62.4% to 70.4%
Life of option	28 months	23 to 60 months
Dividend yield	0%	0%

14. SHARE CAPITAL (continued)

(e) Warrants

	2010		2009	
	Number	Value	Number	Value
Warrants outstanding, beginning of year	2,625,000	$477,709	1,750,000	$21,175
Issued pursuant to March 25, 2010 private placement	800,000	100,480	-	-
Issued pursuant to December 22, 2010 public offering	6,153,850	446,154	-	-
Issued pursuant to June 10, 2009 private placement	-	-	2,000,000	342,000
Issued pursuant to November 30, 2009 private placement	-	-	625,000	143,563
Warrants exercised	-	-	(1,468,500)	(40,971)
Expiry of warrants	-	-	(281,500)	(7,854)
Warrants extension	-	-		19,796
Warrants outstanding, end of year	9,578,850	$1,024,343	2,625,000	$477,709

The fair value of the 2009 extension of the warrants was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Risk-free rate	1.21%
Expected volatility	85.40%
Life of warrant	3.4 months
Dividend yield	0%

The fair value of the warrants issued pursuant to the private placements was determined using the Black-Scholes Option Pricing Model with the following assumptions:

	2010	2009
Risk-free rate	0.28% - 1.15%	1.33% - 1.48%
Expected volatility	42% - 59%	78% - 79%
Life of warrant	12-24 months	24 months
Dividend yield	0%	0%

15. CONTRIBUTED SURPLUS

	2010	2009
Contributed surplus, beginning of year	$ 134,165	$ 21,606
Stock-based compensation	158,857	109,705
Warrants expired	-	7,854
Options exercised	(44,226)	(5,000)
Contributed surplus, end of year	$ 248,796	$ 134,165

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, long-term debt, promissory notes payable and capital lease obligations. The fair values of current accounts receivable and accounts payable and accrued liabilities approximate their carrying values as they are short-term in nature. The estimated fair value of the non-current accounts receivable, long-term debt, promissory notes payable and capital lease obligations approximates its carrying value based on the discounted cash flows at market rates.

CICA Handbook Section 3862, Financial Instruments – Disclosures establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values. The Company's financial instrument measured at fair values at December 31, 2010 and 2009 is cash and is classified as "Level One – Quoted prices in active markets".

Carrying value and fair value of financial assets and liabilities as at December 31, 2010 and 2009 are summarized as follows:

	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
Held for trading				
Cash	$ 4,621,810	$ 4,621,810	$ 1,037,609	$ 1,037,609
Loans and receivables				
Accounts receivable	2,834,197	2,834,197	2,289,725	2,289,725
Other financial liabilities				
Accounts payable and accrued liabilities	3,798,158	3,798,158	3,677,266	3,677,266
Promissory notes payable	84,016	84,016	3,205,174	3,205,174
Long-term debt	-	-	1,913,819	1,913,819
Capital lease obligations	956,544	956,544	741,639	741,639

Credit risk

The Company's credit risk is primarily attributable to accounts receivable. Accounts receivable shown on the consolidated balance sheet is net of provision for bad debts, estimated by management based on prior experience and its assessment of the current economic environment. The Company believes that the credit risk of accounts receivable is limited because of the nature of the services the Company provides and the nature of its clients. The Company provides its services almost entirely to the health care/social services sector that is financed by governments.

The Company's aging of current accounts receivable is as follows:

	2010	2009
Current	$ 1,847,295	$ 1,030,640
Over 30 days	653,401	486,987
Over 60 days	11,932	239,488
Over 90 days	448,641	521,260
Allowance for doubtful accounts	(127,072)	(71,524)
	$ 2,834,197	$ 2,206,851

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by continuously monitoring and reviewing both actual and forecasted cash flows to maintain adequate cash and cash equivalent balances.

A significant part of the Company's cash flow is from recurring revenue that is received annually in advance from healthcare organizations, thus providing the Company with working capital.

The following table summarizes the Company's financial liabilities and the remaining contractual maturities.

2010 Contractual obligations	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Long-term debt	$ -	$ -	$ -	$ -	$ -
Accounts payable and accrued liabilities	3,798,158	3,798,158	-	-	-
Promissory notes payable	84,016	84,016	-	-	-
Capital lease obligations	956,544	438,625	517,919	-	-
Total contractual obligations	$ 4,838,718	$ 4,320,799	$ 517,919	$ -	$ -

2009 Contractual obligations	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Long-term debt	$ 1,913,819	$ 395,526	$ 1,518,293	$ -	$ -
Accounts payable and accrued liabilities	3,677,266	3,677,266	-	-	-
Promissory notes payable	3,205,174	3,205,174	-	-	-
Capital lease obligations	741,639	366,659	326,050	48,930	-
Total contractual obligations	$ 9,537,898	$ 7,644,625	$ 1,844,343	$ 48,930	$ -

Interest rate risk

Interest risk is the risk that the future cash flows or fair values of the Company's financial instruments fluctuate because of changes in market interest rates. At December 31, 2010 the Company owed fixed rate debt, relating to capital leases, that largely mature within one to three years. The Company expects to retire this debt from operating cash flow and management has concluded that the Company does not have interest rate risk because liabilities bear fixed interest rates.

Foreign currency risk

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments will fluctuate due to changes in foreign exchange rates. Less than 3% of revenue is transacted in US dollars and the Company is exposed to foreign exchange risk thereon. The impact of future rate fluctuations cannot be predicted with certainty; however, the Company's exposure to fluctuations in the United States dollar is small since the Company has minimal financial assets or liabilities denominated in currencies other than the Canadian dollar.

17. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

- Maintain financial flexibility to provide adequate funding of operations and to meet financial obligations, including debt servicing payments;
- Preserve financial flexibility to benefit from potential opportunities as they arise; and
- Deploy capital to provide an appropriate investment return to its shareholders.

The Company includes shareholders' equity, lease financing, promissory notes payable and long-term debt in the definition of capital. The Company's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives set out above and to be responsive to changes in economic conditions.

The Company is not subject to externally imposed capital requirements, including debt covenants, and there were no changes in the Company's approach to capital management during the year.

Capital is comprised of:

	2010	2009
Shareholders' equity	$ 15,941,576	$ 6,108,403
Lease financing	956,544	741,639
Promissory notes payable	84,016	3,205,174
Long-term debt	-	1,913,819
	$ 16,982,136	$ 11,969,035

18. LEASE COMMITMENTS

As of December 31, 2010, the Company has various operating leases, primarily office rent, with remaining terms of more than one year. These leases have minimum annual lease commitments as follows:

2011	$ 660,461
2012	630,311
2013	263,232
2014	148,281
2015	90,550
Thereafter	-
	$1,792,835

19. RELATED PARTY TRANSACTIONS

During 2010 the Company engaged in the following related party transactions with directors, officers and private companies with directors in common with the Company:

- On January 27, 2009 the Company received three-year term loans of $1,145,000, of which $750,000 was from related parties including certain directors and their immediate families (Notes 5 and 12). The loans bear interest at 12% per annum plus bonus interest of 200 common shares of the Company for each $1,000 of amount loaned. During 2009 the Company repaid $350,000 of the loans with the remaining $400,000 repaid on December 30, 2010. For the year ended December 31, 2010, total interest paid on the loans to these related parties was $51,945 (2009, $78,460).

19. RELATED PARTY TRANSACTIONS (continued)

- On August 16, 2010 a director loaned the Company $200,000 bearing interest at 20% per annum, which was repaid on December 24, 2010. Total interest paid on this loan was $14,685.

- On December 10, 2010 the Company paid an advance of $50,000 to a director and officer of the Company. This advance is included in account receivable at December 31, 2010 and was repaid in the first quarter of 2011.

Related party transactions are measured at the exchange amount which is the amount agreed by the transacting parties.

20. INCOME TAXES

Non-capital tax loss carry forwards

At December 31, 2010, the Company and its subsidiaries have accumulated non-capital losses totalling approximately $7,754,000 which may be applied against future years' taxable income.

These losses expire approximately as follows:

December 31,	2014	$ 736,000
	2015	753,000
	2026	2,511,000
	2027	1,186,000
	2028	994,000
	2029	396,000
	2030	1,178,000
		$ 7,754,000

Investment tax credits on SRED expenditures

At December 31, 2010, the Company and its subsidiaries have accumulated Investment Tax Credits ("ITCs") totaling approximately $259,000 (December 31, 2009 – approximately $697,000) which may be applied against future years' taxable income.

SRED expenditure pool carry forwards

At December 31, 2010, the Company and its subsidiaries have accumulated an SRED expenditures pool of approximately $3,568,000 (December 31, 2009 – approximately $3,990,000) which may be applied against future years' taxable income. The SRED expenditures pool may be carried forward indefinitely.

20. INCOME TAXES (continued)

Future income taxes

The tax effects of temporary differences and tax loss carry forwards that give rise to future income tax assets and future income tax liabilities are as follows:

	2010	2009
Non-capital loss carry forwards	$ 2,009,000	$ 1,805,000
Capital assets	104,000	240,000
Intangible assets	(1,242,000)	(836,000)
Share issue costs	206,000	-
SRED carry forwards	837,000	856,000
	1,914,000	2,065,000
Valuation allowance	(370,000)	(2,065,000)
Future income tax asset	$ 1,544,000	$ -
Current portion of future income tax asset	$ 587,000	$ -
Long-term portion of future income tax asset	957,000	-
	$ 1,544,000	$ -

Income tax recovery differs from the amount that would be computed by applying the federal and provincial statutory tax rates of 28.5% (2009 – 30.0%) to net earnings (loss) before income taxes for the following reason:

	2010	2009
Computed tax expense	$ (59,000)	$ 406,000
Effect of change in tax rate	656,000	267,000
Tax pools acquired in business combinations	-	(1,031,000)
Non-taxable items	71,000	(7,000)
Other	(241,000)	(42,000)
Change in valuation allowance	(1,695,000)	407,000
	$ (1,268,000)	$ -

21. SEGMENTED INFORMATION

The Company has three reportable segments in 2010. The Enterprise Management Software ("EMS") division, specializes in Workforce Management Software and Financial Management Software targeted at medium to large healthcare and social services organizations. The Electronic Medical Records ("EMR") division provides applications for use in physician's medical offices. The Cloudwerx Data Solutions ("Hosting") division provides ASP hosting, data backup services and other technology products and services to EMR and other clients. Separate reporting in 2010 of the Hosting division recognizes its increasing significance in the Company as a whole and allows a better understanding of investment in, and results of, both the Hosting division and the EMR division (which were reported as the EMR division in 2009). The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

2010	EMS	EMR	Hosting	Corporate	Total
Revenues	$ 9,851,761	$ 7,733,674	$ 1,485,465	$ -	$ 19,070,900
Operating expenses	7,068,981	5,115,283	1,974,390	2,451,634	16,610,288
Earnings before the undernoted	2,782,780	2,618,391	(488,925)	(2,451,634)	2,460,612
Stock-based compensation expense	91,615	57,243	9,999	-	158,857
Amortization of property and equipment	232,246	212,293	238,198	-	682,737
Amortization of intangible assets	419,858	705,083	12,006	-	1,136,947
Interest expense	399,731	195,283	40,955	-	635,969
Loss on sale of capital assets	-	46,924	-		46,924
(Gain) loss on foreign exchange	(148)	5,303	501	-	5,656
Earnings (loss) before income taxes	$ 1,639,478	1,396,262	(790,584)	(2,451,634)	(206,478)
Income taxes					(1,268,000)
Net earnings					$ 1,061,522
Total assets	$ 12,287,134	$ 7,570,202	$ 1,109,619	$ 1,480,420	$ 22,447,375
Additions to:					
Goodwill	$ 10,575	$ 26,869	$ -	$ -	$ 37,444
Property and equipment	$ 15,635	$ 165,509	$ 358,012	$ 496,368	$ 1,035,524
Intangible assets	$ 249,929	$ 250,525	$ -	$ -	$ 500,454

21. SEGMENTED INFORMATION (continued)

2009	EMS	EMR	Hosting	Corporate	Total
Revenues	$ 10,216,655	$ 2,617,398	$ 988,941	$ -	$ 13,822,994
Operating expenses	6,052,664	1,967,839	1,263,701	1,794,969	11,079,173
Earnings before the undernoted	4,163,991	649,559	(274,760)	(1,794,969)	2,743,821
Stock-based compensation expense	80,100	27,115	2,490		109,705
Amortization of property and equipment	199,388	32,343	142,771		374,502
Amortization of intangible assets	461,490	115,087	7,956		584,533
Interest expense	279,421	21,645	17,308		318,374
(Gain) loss on foreign exchange	4,013	(1,589)	46		2,470
Earnings (loss) before income taxes	$ 3,139,579	454,958	(445,331)	(1,794,969)	1,354,237
Recovery of Income taxes					-
Net earnings					$ 1,354,237
Total assets	$ 8,897,011	$ 7,728,978	$1,000,466	$101,258	$ 17,727,713
Additions to:					
Goodwill	$ 2,208,514	$ 345,269	$ -	$ -	$ 2,553,783
Property and equipment	$ 398,201	$ 63,110	$ 21,992	$ -	$ 483,303
Intangible assets	$ 3,529,501	$ 4,718,214	$ -	$ -	$ 8,247,715

Sales to customers in geographic regions are as follows:

	2010	2009
Canada	$ 18,535,395	$ 13,604,745
United States	535,505	218,249
Total revenue	$ 19,070,900	$ 13,822,994

All of the Company's property and equipment, goodwill and intangible assets are located in Canada.

22. CONTINGENCIES

From time to time, the Company may become involved in litigation arising in the normal course of business. As of December 31, 2010, the Company is subject to one third party claim in relation to the Clinicare Corporation acquisition (Note 5). It is management's opinion that the outcome of the litigation will not have a material impact on the business.

23. SUBSEQUENT EVENTS

On March 31, 2011, Clinicare Corporation and two companies holding significant interests in Clinicare, being 799782 Alberta Ltd. and Goodstar Computer Systems Ltd., were amalgamated under the British Columbia Companies Act with Optimed Software Corporation, a wholly owned subsidiary of QHR Technologies Inc.

On April 26, 2011 QHR Technologies announced that it has signed an Asset Purchase Agreement to purchase the assets of EMIS Inc. the Canadian subsidiary of Egton Medical Information Systems limited based in Leeds, UK.