



MANAGEMENT DISCUSSION AND ANALYSIS

Three Months Ended and as at March 31, 2011

For further information, please contact:

Al Hildebrandt, President & CEO Phone: (250) 979-1701; E-Mail: ahildebrandt@QHRtechnologies.com
John Gillberry, CFO Phone: (250) 979-1722; E-Mail: jgillberry@QHRtechnologies.com

Contents

1.0	INTRODUCTION.....	2
2.0	BUSINESS OVERVIEW	3
2.1	Overview of the Business.....	3
2.2	Company Products and Services	3
2.3	Business Model	5
3.0	2011 QUARTERLY REVIEW	6
3.1	Selected Financial Information.....	6
3.2	First Quarter Highlights	7
3.3	Results of Operations	7
3.4	Summary of Quarterly Results	9
3.5	Liquidity and Capital Resources.....	10
4.0	CRITICAL ACCOUNTING ESTIMATES	11
5.0	CONVERSION TO IFRS.....	14
6.0	BUSINESS RISKS AND UNCERTAINCIES	23
7.0	FINANCIAL INSTRUMENTS AND RISK EXPOSURES	24
8.0	RISKS ASSOCIATED WITH BUSINESS AND OPERATIONS	25
9.0	RISKS ASSOCIATED WITH THE VALUE OF SHARES	25

1.0 INTRODUCTION

The following Management Discussion and Analysis of QHR Technologies Inc. (“QHR” or “the Company”) as of June 20, 2011 should be read in conjunction with the unaudited interim consolidated financial statements for the three-month period ended March 31, 2011, and related notes included therein, which has been prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts following are expressed in Canadian Dollars.

Additional information relating to the Company including the Company’s most recent Annual Financial Statements can be found at www.sedar.com.

Forward Looking Statements

The following discussion and analysis of the financial conditions and results of operations contains forward-looking statements concerning anticipated developments in the Company’s operations in future periods, the adequacy of the Company’s financial resources and other events or conditions that may occur in the future. Forward-looking statements are frequently, but not always, identified by words such as “expects,” “anticipates,” “believes,” “intends,” “estimates,” “predicts,” “potential,” “targeted,” “plans,” “possible” and similar expressions, or statements that events, conditions or results “will,” “may,” “could” or “should” occur or be achieved. These forward-looking statements include, without limitation, statements about the Company’s market opportunities, strategies, competition, expected activities and expenditures as the Company pursues its business plan, the adequacy of the Company’s available cash resources and other statements about future events or results. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, such as business and economic risks and uncertainties. The Company’s forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made. Consequently, all forward-looking statements made in this discussion and analysis of the financial conditions and results of operations or the documents incorporated by reference are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized. Some of these risks, uncertainties and other factors are described herein under the heading “Risks and Uncertainties. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

2.0 BUSINESS OVERVIEW

2.1 Overview of the Business

QHR is a leading provider of *Enterprise Management Software* (“EMS”) applications, marketed under the Quadrant™ brand comprised of two product offerings. The Workforce Management Software consists of integrated applications, including payroll, staff scheduling, human resources and employee self-service that provide human resource management solutions for complex healthcare and social services environments. The Financial Management Software provides customized financial software built on Microsoft’s Dynamics GP (formerly Great Plains) platform. Together, these products enable QHR to offer comprehensive enterprise management software solutions to the healthcare and social services market.

QHR is also the developer and marketer of *Electronic Medical Records* (“EMR”) software, marketed under the Accuro® EMR brand. This comprehensive suite of medical software modules is designed to improve the quality of the operational work environment of family physicians, medical specialists and surgeons. Accuro delivers productivity gains and cost savings through computerized medical records and it conforms to the stringent requirements of EMR protocols that have been established by Federal and Provincial governments. The EMR division also supports and maintains legacy-based EMR systems from acquired companies including Clinicare and National Medical Solutions, Inc. The Company provides customers on these legacy systems with a cost-effective upgrade path to the newer and more advanced Accuro system.

The *Hosting* division provides integrated data hosting services to both its EMS and EMR customers who prefer to access the software solution through an Application Service Provider (“ASP”) environment. Some provincial programs give preference to, and/or mandate a hosted environment to meet the provincial EMR subsidy program requirements for physicians. Accordingly, The Company has found it necessary to build out its own data center infrastructure located in co-location facilities to accommodate the client needs on both their software application and technical infrastructure. Cloud computing is a growing business and for our clients it is necessary to make this upfront investment to offer a complete offering of managed services.

2.2 Company Products and Services

Enterprise Management Solutions (EMS)

The EMS division provides software to organizations in the healthcare and social services sectors, targeting medium to large organizations. This is a growing market based on the demographics of an ageing population.

Quadrant products are differentiated from competitors’ products in ways that are meaningful to Canadian healthcare and public safety industry customers. The Workforce Management Software has unique capabilities to meet the employee scheduling and payroll needs of complex work environments. The Financial Management Software is the only Microsoft Dynamics GP financial software that is customized to the Canadian healthcare market. The Company is also recognized for its outstanding product support to customers.

The Company’s strategy for this division is to:

1. Leverage its leadership position in the public sector, a position that has been strengthened with the acquisition of the financial software division (“Financials Division”) of Momentum Healthware, and target private healthcare and social services organizations;
2. Cross-sell Workforce Management Software to Financial Management Software customers, and vice-versa, and expand sales within the entire customer base as the growth of these customers requires further application of the Company’s products; and
3. Develop best of breed, stand-alone modules of its current products that can interface with other companies’ products, thus broadening market reach.

Electronic Medical Records division (EMR)

The EMR division operates in a rapidly changing marketplace, with adoption of EMR systems in Canadian physician offices being promoted and funded by the Federal and most Provincial governments. The Federal Government's objective, through Canada Health Infoway, plans to have Electronic Health Records in place for most Canadians by 2016. The division's flagship product, Accuro EMR, is developed using the latest technology and offers industry-leading functionality, workflow and conformance to standards. The product is built on a flexible platform which allows ongoing product development to respond to the evolving requirements of the EMR marketplace. The division also provides support and maintenance of legacy EMR and practice management systems from acquired companies for physicians who have not yet upgraded to Accuro.

With the acquisition of Clinicare in late 2009, the EMR division has added one of Canada's longest established EMR vendor and client base and it has substantially increased its customer base. The Company's strategy has been to selectively acquire legacy-based EMR and practice management systems, which adds to the Company's recurring revenue and increases its customer base. Customers benefit as the Company's support structure and resources are more substantial than the acquired software companies had as standalone businesses. Over time, the Company's strategy is to selectively implement unique functionality from the acquired systems to the Accuro product, and to develop data conversion tools to allow customers to upgrade to the Accuro system without losing their historic patient data. This provides customers with an upgrade path to newer technology that is cost-effective for both our customers and QHR, and it helps ensure that customers remain on QHR systems over the long term.

The EMR division's goal is to be the leading provider of EMR systems across Canada. It has established a strong market position in B.C., Alberta, Saskatchewan and Manitoba. In 2010 the company has expanded into Ontario, strengthened by its Clinicare acquisition and more importantly, the OntarioMD CMS 3.0 funding program certification completed on November 29, 2010 which replaces the Clinicare product funding for the Accuro product funding as well as providing opportunities for new OntarioMD funded sales in Ontario. Overall, the Company's strategy for this division is to:

1. Gain market share through both organic growth and acquisitions; and
2. Leverage its position in existing and expansion markets and, at the appropriate time, expand into the USA.

Hosting division (Cloudwerx)

In addition to providing industry leading EMS and EMR software and services solutions, the Company has enhanced its competitive position through the formation of its hosting division; Cloudwerx. Cloudwerx simplifies the management of enterprise applications through a fully configurable set of application hosting services and customer support. With state-of-the-art capabilities in hosting small to large scale enterprise application deployments, specifically focused on the Electronic Medical Record and Enterprise Management Solution markets, Cloudwerx helps clients increase their ROI on investment by reducing the amount of up-front cost required on new enterprise software purchases, while helping to improve deployment timelines.

2.3 Business Model

Recurring Revenue

The Company's business model is to provide technologically advanced business software solutions and build long-term relationships with customers. The Company's revenue model is based, initially, on providing professional services to customers to implement those business solutions. Thereafter the Company enjoys ongoing recurring revenues as long as customers continue to use the Company's products.

Enterprise Management Solutions division

Quadrant™ contracts are typically in the range of \$100,000 to \$1,000,000 and consist of three Elements, namely an upfront purchase of software licenses, professional services fees to implement the software at a client's site over a 3-12 month period and annual, recurring support and maintenance fees.

Once installed, customers are expected to continue using the Company's software for many years because of the high cost of changing vendors. This, added to the Company's reputation for strong customer service, has provided the EMS division with a customer retention and annual renewal rate exceeding 95%.

The software license revenues are recognized after completion of the initial support and maintenance period. Professional fees to implement the software are recognized as services are rendered. Annual maintenance and support revenue is paid in advance and recognized on a straight-line basis throughout the year. Annual maintenance and support payments received in advance are recorded as deferred revenue on the balance sheet, until earned.

Electronic Medical Records division

Accuro® EMR systems are sold based on a monthly license and services agreement with monthly recurring revenues dependent on the number of physicians and other health professionals using the software at the customer site. The monthly fee is a blended payment for the use of the software, on-going enhancements and technical support. Revenue is recognized on a monthly basis. There are upfront fees to cover the cost of training and implementation and this revenue is recognized when the services are provided. Customers continue paying the monthly fee for as long as they use the software. Once installed, customers are reluctant to change systems due to the quality of the Accuro system, plus the deterrents of the investment in staff training and challenges associated with converting historic patient data to new systems.

This, added to the Company's reputation for strong customer service, has provided the EMR division with a customer retention rate also exceeding 95%. The division's sales and marketing efforts are focused on selling Accuro to new and acquired customers. Existing customers of its acquired EMR and patient management systems, such as Clinicare, are charged recurring monthly or annual fees for software maintenance and support. Annual maintenance and support payments are paid in advance and are recorded as deferred revenue on the balance sheet until recognized monthly on a straight-line basis throughout the year.

Hosting division

The Hosting division is dedicated to enhancing our EMS and EMR solution by providing data hosting, data storage services and application hosting solutions to the healthcare and other social services sectors. With customers across Canada and around the world, we bring together Canada's most experienced ASP hosting and servicing teams and facilities to provide best-in class service to our clients. We work closely with our customers to tune their environments for optimum performance across their application hosting, and provide a managed storage services environment to professionally managed state-of-the-art facilities instead of local installs.

The division provides hosting services to EMR customers, including application hosting, technical support, off-site data storage and business continuation services. Customers are charged an initial fee for implementation and set-up. In some cases, the division resells hardware in conjunction with the implementation. Revenue from these services and the associated hardware is recognized as they are delivered. After the systems are implemented, revenue is recognized on a monthly basis.

3.0 2011 QUARTERLY REVIEW

In February 2008, the Canadian Accounting Standards Board announced the adoption of IFRS for publicly accountable enterprises in Canada effective January 1, 2011. The unaudited interim consolidated financial statements for the three months ended March 31, 2011 were QHR's first financial statements prepared under IFRS. Section 4 includes the significant accounting policies that we adopted under IFRS and a reconciliation of the January, 1, 2010 Canadian GAAP statement of financial position to IFRS. In accordance with the transition rules, we have retroactively applied IFRS to our comparative data.

3.1 Selected Financial Information

	March 31, 2011	March 31, 2010	Change	Percent
REVENUE	\$ 6,481,901	\$ 4,661,946	1,819,955	39%
OPERATING EXPENSES				
Cost of goods sold	469,016	481,862	(12,846)	(3%)
Service costs	2,428,970	2,095,059	333,911	16%
Selling and administrative expenses	2,157,750	1,844,110	313,640	17%
	5,055,736	4,421,031	634,705	14%
Earnings before the following items	1,426,165	240,915	1,185,250	492%
Stock-based compensation	38,106	9,564	28,542	298%
Amortization of property and equipment	133,869	126,815	7,054	6%
Amortization of intangible assets	290,993	275,137	15,856	6%
Interest expense	30,231	149,290	(119,059)	(80%)
Loss on foreign exchange	4,849	5,087	(238)	(5%)
	498,048	565,893	(67,845)	(12%)
Earnings (loss) before income taxes ⁽¹⁾	928,117	(324,978)	1,253,095	386%
Income taxes	(48,691)	-		>100%
Net earnings(loss) and comprehensive income	\$ 976,808	(324,978)	1,301,786	401%
Basic earnings (loss) per share	\$ 0.02	\$ (0.01)	\$ 0.03	300%
Diluted earnings (loss) per share	\$ 0.02	\$ (0.01)	\$ 0.03	300%

(1) Earnings before interest, amortization, stock-based compensation, loss on foreign exchange and taxes are a non-IFRS measure.

	March 31, 2011	March 31, 2010	Change	Percent
Current assets	13,074,100	4,626,136	8,447,964	183%
Long-term assets	14,346,091	12,883,307	1,462,784	11%
Current liabilities	4,629,670	4,922,450	(292,780)	(6%)
Long-term liabilities	5,730,662	5,778,452	(47,790)	>1%
Shareholders' equity	16,955,542	6,808,541	10,147,001	149%

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

As at March 31, 2011, the Company had cash of \$5,592,129 and accounts receivables of \$6,651,441 for a total of \$12,243,570 which will cover its short-term financial obligations from its trade and other payables of \$4,149,712, promissory note of \$84,016 and capital leases of \$843,636, which total \$5,077,364. The liquidity and maturity timing of these assets are adequate for the settlement of the short-term financial obligations.

Contractual obligations	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
Capital lease obligations	\$ 395,942	\$ 447,694	\$ -	\$ -	\$ 843,636
Promissory note payable	84,016	-	-	-	84,016
Trade and other payables	4,149,712	-	-	-	4,149,712
Total	\$ 4,629,670	\$ 447,694	\$ -	\$ -	\$ 5,077,364

3.2 First Quarter Highlights

The following are first quarter highlights:

- The EMS division secured new licensing agreements which contributed to the 1st quarter revenue increase.
- Due to the increase in revenue in the EMS division, QHR Technologies on a consolidated bases recorded its largest revenue quarter to date.
- The EMR division has been investing heavily in software development and marketing its Accuro® software to further increase its revenue through ongoing subscription service.
- The hosting division had increase in revenues of 61% largely due to the integration of providing hosted data services with the selling of the Accuro® software in the EMR division.

3.3 Results of Operations

The Company has three reportable segments. 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 physicians’ 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. The accounting policies of the segments are the same as those described in the summary of significant accounting policies and are consistent with previous periods. Since the year ended December 31, 2010: there have not been any changes in the basis of segmentation or basis of measurement of segment profit or loss. Furthermore, there have not been any significant changes in the total assets attributable to each segment.

March 31, 2011	EMS	EMR	Hosting	Corporate	Total
Revenues	\$ 4,005,214	\$ 1,844,808	\$ 631,879	\$ -	\$ 6,481,901
Operating expenses	2,022,189	1,380,031	596,356	1,057,160	5,055,736
Earnings before the undernoted	1,983,025	464,777	35,523	(1,057,160)	1,426,165
Stock-based compensation	23,425	12,242	2,439	-	38,106
Amortization of property and equipment	40,352	31,308	62,209	-	133,869
Amortization of intangible assets	105,860	185,133	-	-	290,993
Interest expense	10,600	15,544	4,086	-	30,231
(Gain) loss on exchange	4,715	136	(2)	-	4,849
Earnings before income taxes	1,798,073	220,414	(33,210)	(1,057,160)	928,117
Income tax recovery, net					(48,691)
Net earnings					\$ 976,808

QHR TECHNOLOGIES INC.
MANAGEMENT DISCUSSION & ANALYSIS

March 31, 2010	EMS	EMR	Hosting	Corporate	Total
Revenues	\$ 2,446,545	\$ 1,823,796	\$ 391,605	\$ -	\$ 4,661,946
Operating expenses	2,230,987	967,501	541,813	680,730	4,421,031
Earnings before the undernoted	215,558	856,295	(150,208)	(680,730)	240,915
Stock-based compensation	8,360	-	1,204	-	9,564
Amortization of property and equipment	55,478	51,939	19,398	-	126,815
Amortization of intangible assets	104,965	167,972	2,200	-	275,137
Interest expense	27,711	116,716	4,863	-	149,290
Loss on foreign exchange	-	4,805	282	-	5,087
Loss before income taxes	19,044	514,863	(178,155)	(680,730)	(324,978)
Income taxes					-
Net earnings					\$ (324,978)

Revenues

The company recorded \$6,481,901 in revenue for the three months ending March 31, 2011 compared to \$4,661,946 for the three months ending March 31, 2010 an increase of 39%

The EMS division revenue for the first quarter was \$4,005,214 compared to \$2,446,545 for the same period last year an increase of 64%. This increase was largely due to securing licensing agreements with new and existing clients.

The EMR division revenue for the first quarter was \$1,844,808 compared to \$1,823,796 for the same period last year and was largely driven by continued recurring revenue from our Accuro® EMR systems.

Operating Expenses

Operating expenses including cost of goods sold were \$5,055,736 for the three months ending March 31, 2011 compared to \$4,421,031 for the same period in 2010, an increase of 14%. The increase in operating expenses is partly due to professional and consulting fees associated with IFRS conversion.

Other Expenses

Other expenses including stock-based compensation, amortization, interest and foreign exchange were \$498,048 for the three months ending March 31, 2011 compared to \$565,893 for the same period in 2010, a decrease of 12%. The decrease in operating expenses is largely due to a reduction of interest costs from eliminated long-term debt.

Net Earnings

Before income tax recovery, earnings for the three months ended March 31, 2011 were \$928,117 compared to a loss of \$324,978 for the same period last year. The net earnings for the period ended were \$976,808 compared to a net loss of \$324,978 in 2010, an increase of \$1,301,786 or 401%. The increase in earnings is attributed to substantially increase licensing agreements in the EMS division than in the same period in the prior year.

3.4 Summary of Quarterly Results

- Revenue for the quarter ending March 31, 2011, totaled \$6,481,901, 39% higher than the \$4,661,946 reported in the same period for 2010.
- Operating expenses were \$5,055,736 in the first quarter compared to \$4,421,031 for the same period in 2010. The increase in operating expenses were partly attributed to increased professional and consulting fees associated with IFRS conversion which accounted for approximately \$150,000 which are one-time expenses. In addition, increased staffing costs associated with the ramp up of the EMR operations were incurred.
- Earnings before stock based compensation expense, amortization, interest expense and foreign exchange was \$1,426,165 in the first quarter compared to \$240,915 compared to the same period in 2010.
- Net earnings and comprehensive income was \$976,808 in the first quarter compared to a loss of \$324,978 in the same period in 2010.
- As at March 31, 2011 earnings per share (basic & diluted) were \$0.02 compared to \$(0.01) for the same period in 2010.
- As at March 31, 2011 the Company had positive working capital ⁽¹⁾ totaling \$8,444,430 compared to a working capital deficiency of \$296,314 as at March 31, 2010. The working capital increase is due to a growth in earnings for the period as well as reduced debt obligations.

(1) The company uses working capital changes as a supplemental non-IFRS financial measure in its evaluation of liquidity. Management believes monitoring working capital items assists in assessing the efficiency of allocation of short term financial resources. Working Capital is calculated by subtracting current liabilities from current assets excluding deferred revenue.

Quarterly Financial Data	Three months ended			
	Mar 31	Jun 30	Sept 30	Dec 31
2011				
Revenue	\$ 6,481,901			
Net earnings and comprehensive income	976,808			
Net earnings per share – basic	0.02			
Net earnings per share – diluted	0.02			
Weighted average common shares outstanding -				
Basic	42,903,510			
Diluted	43,780,767			
2010				
Revenue	\$ 4,661,946	\$ 5,092,462	\$ 4,645,807	\$ 4,670,685
Net (loss) earnings and comprehensive income	(324,978)	282,403	(104,253)	1,128,984 ⁽²⁾
Net earnings per share – basic	(0.01)	0.01	(0.00)	(0.00)
Net earnings per share – diluted	(0.01)	0.01	(0.00)	(0.00)
Weighted average common shares outstanding -				
Basic	28,235,953	29,886,965	30,259,774	30,109,936
Diluted	29,123,833	29,886,965	30,987,648	30,682,360
2009				
Revenue		\$ 2,670,714	\$ 3,749,243	\$ 4,189,271
Net (loss) earnings and comprehensive income		(206,983)	655,812	329,887
Net earnings per share – basic		(0.01)	0.03	0.01
Net earnings per share – diluted		(0.01)	0.03	0.01
Weighted average common shares outstanding -				
Basic		22,662,984	26,106,259	24,512,973
Diluted		22,662,984	26,103,259	25,267,940

(2) Amount reflects an income tax recovery recognized in the 4th quarter of 2010 in the amount of \$1,257,000.

We have restated our 2010 comparative data in accordance with IFRS. We are not required to apply IFRS to periods prior to 2010. Our 2009 comparative data was prepared in accordance with Canadian GAAP.

Economic Outlook and Company Strategy

While there have been many recent signs of economic recovery in Canada, management believes that 2011 will continue to present challenges to most Canadian businesses. It is not yet clear how long the economic recovery will take, nor is it clear how the pace of the recovery will affect buying decisions of potential new customers. Healthcare is a steady and growing market and recent new contracts already announced in Q1, 2011 indicate growth opportunities for the company.

- Total spending in healthcare in Canada was expected to reach 192 billion in 2010. The Healthcare sector continues to grow based on demographic changes in Canada, and represented approximately 11.7% of Canadian GDP;
- The Company's customers, being regional health districts, hospitals, long-term care facilities, social support agencies and physicians' offices and public safety are not usually impacted by the business cycle;
- The Company's products, such as accounting and payroll, are mission critical to the running of those enterprises; and
- Federal and Provincial Governments are accelerating investment in information technology infrastructure creating more demand for the Company's products.

The management team remains focused on implementing a business model which will serve to (i) add a recurring revenue stream by offering a range of services, (ii) broaden the Company's portfolio of products and services, (iii) actively recruit and cultivate reseller channel partners, and (iv) diversify the base of customers.

QHR expects to achieve continued growth over the next year based on the Company's recent acquisitions and based on strong organic growth and expansion into new markets. The Company enjoys strong cash flow due to its recurring revenue model, and will continue to invest in product development as well as considering further strategic acquisitions. The Company also has raised equity capital to support operational growth and partially fund acquisitions, and expects to continue to do so in the future provided that market conditions remain favourable.

3.5 Liquidity and Capital Resources

	March 31, 2011	March 31, 2010
Cash on hand	\$5,592,129	\$679,974
Working capital surplus (deficiency)	8,444,430	(296,314)
Shareholders' equity	16,955,542	6,808,541

The Company ended the period with cash on hand of \$5,592,129 compared to \$679,974 compared for the same period in 2010. The Company had a working capital surplus of \$8,444,430 at March 31, 2011. This surplus is a \$8,740,744 improvement over the working capital deficiency of \$296,314 at March 31, 2010.

Operating Activities

For the period ended March 31, 2011, operating activities resulted in net cash inflows of \$1,230,650 compared to net cash inflows of \$862,729 in 2010. The increase is primarily due to the increase in earnings.

Investing Activities

For the period ended March 31, 2011, the Company made net investments of \$155,539 compared to \$212,745 in 2010. Investments were primarily related to additions to capital assets and developed technology, whereas 2010 related to business acquisitions.

Financing Activities

For the period ended March 31, 2011, the Company had used cash in net financing activities of \$104,792, compared to \$1,007,619 in 2010. The decrease in cash used for financing activities was the result of the retirement of the debt associated with acquisitions made during the 1st quarter of 2010 and as a result of the proceeds of share issuances.

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

Contractual obligations	Total	Less than 1 year	1-3 years	4-5 years
Long-term debt	-	-	-	-
Accounts payable/accrued liabilities	4,149,712	4,419,712	-	-
Promissory note payable	84,016	84,016	-	-
Capital lease obligations	848,636	395,942	447,694	-
Operating leases for premises	1,639,656	507,283	1,041,823	90,550
Total contractual obligations	\$6,722,020	\$5,136,953	\$1,489,517	\$90,550

The ability of the Company to meet its financial obligations as they come due is largely dependent on its ability to generate profitable revenues as budgeted in its business plans, collect accounts receivable and attract new financing from the investment community to support Company activities including acquisitions.

4.0 CRITICAL ACCOUNTING ESTIMATES

On January 1, 2011, with the adoption of IFRS, the Company prepared its consolidated financial statements in accordance with International Financial Reporting Standards, and made estimates and assumptions that affect its reported amounts of assets, liabilities, revenue and expenses, and the related disclosures of contingent liabilities. The Company based its estimates on historical experience and other assumptions that it believes are reasonable in the circumstances. Actual results may differ from these estimates.

Management has discussed the development and selection of the Company's critical accounting estimates with the Audit Committee of the Company's Board of Directors, and the Audit Committee has reviewed the following disclosures.

The following critical accounting policies reflect the Company's more significant estimates and assumptions used in preparing its consolidated financial statements:

Business Combinations and Goodwill

Business combinations that occurred prior to January 1, 2010 were not accounted for in accordance with IFRS 3, "Business Combinations" and IAS 27, "Consolidated and Separate Financial Statements" in accordance with the IFRS 1, "First-time Adoption of International Financial Reporting Standards" exemption discussed further in note 18.

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at the acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquirer's identifiable net assets. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations" are recognized at their fair values at the acquisition date. Acquisition costs incurred are expensed in the period in which they are incurred.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the Consolidated Statement of Earnings and Comprehensive Income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Use of Estimates

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect amounts reported in the financial statements and notes thereto. Actual amounts may ultimately differ from these estimates.

Significant areas requiring the use of management estimates relate to the determination of the net recoverable value of assets, including inventory obsolescence provisions, allowance for doubtful accounts, impairment of non-financial assets, valuation of deferred tax assets, useful lives for depreciation and amortization, share-based payment, allocation of purchase price of acquisitions, selling prices, fair value of revenues, provisions for warranties and income taxes. Management reviews significant estimates on a periodic basis and, where necessary, makes adjustments prospectively

Share-based Compensation

The Company grants stock options to buy common shares of the Company to directors, senior officers, employees and service providers pursuant to an incentive share option plan described in note 12. The Board of Directors grants such options for periods of up to 2-5 years, with vesting periods determined at its sole discretion and at prices equal to the closing market price on the day the options were granted.

Under this method, the Company recognizes compensation expense for stock options awarded based on the fair value of the options at the grant date using the Black-Scholes option pricing model. The fair value of the options is amortized over the vesting period and is included in selling, general and administrative expense with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of share options expected to eventually vest.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses that may arise if any of its customers are unable to make required payments. Management provides for bad debts by setting aside a percentage of sales towards the allowance account. The percentage is based on the Company's historical default experience and is reviewed periodically to ensure consistency with default experience. In addition, at the end of each fiscal year, management specifically analyzes the age of outstanding customer balances, historical bad debt experience, customer credit-worthiness and changes in customer payment terms to evaluate estimates of collectability of the Company's accounts receivable balance. The allowance set aside is then adjusted to align with the specific analysis performed. Throughout the year, if the Company determines that the financial condition of any of its customers has deteriorated; increases in the allowance may be made.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Consolidated Statement of Earnings and Comprehensive Income.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Consolidated Statement of Earnings and Comprehensive Income when the asset is derecognized.

The Company records amortization of intangible assets on a straight-line basis at the following annual rates, which approximate the useful lives of the assets:

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

Revenue Recognition

EMS division

The software license revenues are recognized after completion of the initial support and maintenance period. Professional fees to implement the software are recognized as services are rendered. Annual maintenance and support revenue is paid in advance and recognized on a straight-line basis throughout the year. Annual maintenance and support payments received in advance are recorded as deferred revenue on the balance sheet, until earned.

EMR division

Accuro® EMR systems are sold based on a monthly license and services agreement with monthly recurring revenues dependant on the number of physicians and other health professionals using the software at the customer site. The monthly fee is a blended payment for the use of the software, on-going enhancements and technical support and is recognized as the service is delivered on a monthly basis. There are upfront fees to cover the cost of training and implementation and this revenue is recognized when the services are provided.

The division's sales and marketing efforts are focused on selling Accuro® to new and acquired customers. Existing customers of its other EMR and patient management systems, such as Clinicare, are charged recurring monthly or annual fees for software maintenance and support. Annual maintenance and support payments are paid in advance and are recorded as deferred revenue on the balance sheet until earned.

Hosting division

The division provides hosting services to EMR customers, including application hosting, technical support, off-site data storage and business continuation services. Customers are charged an initial fee for implementation and set-up. In some cases, the division resells hardware in conjunction with the implementation. Revenue from these services and the associated hardware is recognized as they are delivered. After the systems are implemented, revenue is recognized on a monthly basis.

Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the Consolidated Statement of Earnings and Comprehensive Income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled.

The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Company intends to settle its current tax assets and liabilities on a net basis.

The Company account for income tax credits is in accordance with IAS 12, "*Income Taxes*".

5.0 CONVERSION TO IFRS

Transition to IFRS

a) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, *Business Combinations* retrospectively to business combinations before the date of transition to IFRS. The Company has elected to use this election and will apply IFRS 3 to business combinations that may occur on or after January 1, 2010.

b) Fair Value or Revaluation as Deemed Cost

IFRS 1 allows a first-time adopter to elect that the deemed cost of an item of property and equipment is the item's fair value as at January 1, 2010, or it is a revaluation amount under previous Generally Accepted Accounting Principles (GAAP) that is broadly comparable to fair value.

The Company has elected to adopt the optional election under IFRS 1 and therefore re-stated certain property and equipment as at January 1, 2010 to their fair value. Because of the adoption of this election, depreciation is now based on the deemed cost starting from January 1, 2010, the date from which the Company established the fair value measurement.

(c) Share-Based Payments

IFRS 1 encourages, but does not require, first time adopters to apply IFRS 2, *Share-Based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected to take advantage of the exemption and not apply IFRS 2 to awards that vested prior to January 1, 2010.

IFRS 1 also outlines specific guidance that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated January 1, 2010:

d) Estimates

According to IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. This exemption is to prevent an entity from adjusting previously made accounting estimates for the benefit of hindsight. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

IFRS employs a conceptual framework that is similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations and statement of cash flows. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP Consolidated Balance Sheets, Consolidated Statement of Earnings, Deficit, and Comprehensive Income, and Consolidated Statements of Cash Flows as at and for the quarter ended March 31, 2011 and the period ended December 31, 2010 have been reconciled to IFRS, with the resulting differences explained in the following section:

(i) Property and equipment

Under IFRS:

- Each class of property and equipment may be carried either on the cost basis (costs less accumulated depreciation and any accumulated impairment losses), or at revalued amounts (fair value), less depreciation. The Company has chosen to account for property and equipment under the cost basis.
- Annual depreciation is based on an allocation of the cost of an asset less its residual value over the useful life of the asset, including any idle period.
- Estimated residual value is the amount the entity estimates that it would receive currently for the asset if it were already of the age and in the condition expected at the end of its useful life, and is therefore not increased for changes in prices.
- In assessing for potential impairment of assets, IFRS neither requires nor prescribes discounting. The impairment is the amount by which the carrying value exceeds the recoverable amount. The recoverable amount of an asset is defined in IAS 16, *Property, Plant and Equipment* as the higher of an asset's fair value less cost to sell and its value in use.

Under Canadian GAAP

- Canadian GAAP requires an entity to carry property and equipment on the cost basis subsequent to their initial recognition, and revaluation is prohibited.
- Annual depreciation is based on the greater of:
 - an allocation of the cost of an asset less its residual value over the useful life of the asset
 - an allocation of the cost less salvage value over the life of the asset
- Under Canadian GAAP residual value is defined, but does not contain guidance on the effect of changes in prices.
- Net recoverable amount is defined as the estimated future net cash flow from the use of the property or equipment, together with its residual value.

As a result, the Company has elected to use the election under IFRS 1 whereby on the transition to IFRS, the deemed cost of an item of property and equipment is the item's fair value as at January 1, 2010.

(ii) Share-based payment

Under IFRS:

- Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches.
- Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

Under Canadian GAAP:

- The fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight line basis over the vesting period.
- Forfeitures of awards are recognized as they occur.

Under Canadian GAAP, when share options are forfeited before vesting, all the previous period changes are to be reversed in the period that the options are cancelled using either the estimation or actual method. The Company has previously chosen to reverse such forfeited options using the actual method.

However, IFRS requires those forfeited options to be reversed using an estimation method based on estimated forfeitures.

(iii) Deferred tax asset/liability

Under IFRS:

- All deferred tax assets and liabilities are classified as non-current.

Under Canadian GAAP

- Deferred tax assets and liabilities are classified as current or non-current as appropriate.

As a result, the Company reclassified current deferred tax assets and liabilities to non-current assets and liabilities respectively.

(iv) Statement of cash flows

The transition from Canadian GAAP to IFRS has not had a material impact on the statement of cash flows.

QHR TECHNOLOGIES INC.
MANAGEMENT DISCUSSION & ANALYSIS

The Canadian GAAP statement of financial position at January 1, 2010 has been reconciled to IFRS as follows:

	Previously reported under Canadian GAAP	Property and equipment (i)	Share- based payment (ii)	Total effect of transition to IFRS	Restated under IFRS
ASSETS					
Current assets					
Cash	\$ 1,037,609				\$ 1,037,609
Accounts Receivable	2,206,851				2,206,851
Inventory	31,390				31,390
Prepaid expenses and deposits	737,241				737,241
Investment tax credit receivable	579,092				579,092
	4,592,183				4,592,183
Accounts receivable	82,874				82,874
Property and equipment	1,307,812	(22,448)		(22,448)	1,285,364
Goodwill	2,919,181				2,919,181
Intangible assets	8,825,663				8,825,663
	\$17,727,713	\$ (22,448)	\$ -	\$ (22,448)	\$ 17,705,265
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 3,677,266				\$ 3,677,266
Promissory notes payable	3,205,174				3,205,174
Current portion of long-term debt	395,526				395,526
Current portion of capital lease obligations	366,659				366,659
	7,644,625				7,644,625
Deferred revenue	2,081,412				2,081,412
	9,726,037				9,726,037
Long-term debt	1,518,293				1,518,293
Capital lease obligations	374,980				374,980
	11,619,310	-	-	-	11,619,310
SHAREHOLDERS' EQUITY					
Share capital	9,559,282				9,559,282
Contributed surplus	134,165		34,327	34,327	168,492
Warrants	477,709				477,709
Deficit	(4,062,753)	(22,448)	(34,327)	(56,775)	(4,119,528)
	6,108,403	(22,448)	-	(22,448)	6,085,955
	\$ 17,727,713	\$ (22,448)	\$ -	\$ (22,448)	\$ 17,705,265

QHR TECHNOLOGIES INC.
MANAGEMENT DISCUSSION & ANALYSIS

The Canadian GAAP statement of financial position at December 31, 2010 has been reconciled to IFRS as follows:

	Previously reported under Canadian GAAP	Property and equipment (i)	Share- based payment (ii)	Deferred tax asset/liability (iii)	Total effect of transition to IFRS	Restated under IFRS
ASSETS						
Current assets						
Cash	\$ 4,621,810					\$ 4,621,810
Accounts Receivable	2,834,197					2,834,197
Inventory	70,238					70,238
Prepaid expenses and deposits	617,660					617,660
Deferred taxes	587,000			(587,000)	(587,000)	-
	8,730,905			(587,000)	(587,000)	8,143,905
Property and equipment	1,613,675	(22,448)			(22,448)	1,591,227
Deferred taxes	957,000			596,000	596,000	1,553,000
Goodwill	2,956,625					2,956,625
Intangible assets	8,189,170					8,189,170
	\$ 22,447,375	\$ (22,448)	\$ -	\$ 9,000	\$ (13,448)	\$ 22,433,927
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 3,798,158					\$ 3,798,158
Promissory notes payable	84,016					84,016
Current portion of capital lease obligations	438,625					438,625
	4,320,799					4,320,799
Deferred revenue	1,667,081					1,667,081
	5,987,880					5,987,880
Deferred taxes	-			20,000	20,000	20,000
Capital lease obligations	517,919					517,919
	6,505,799	-	-	20,000	20,000	6,525,799
SHAREHOLDERS' EQUITY						
Share capital	17,669,668					17,669,668
Contributed surplus	248,796		74,285		74,285	323,081
Warrants	1,024,343					1,024,343
Deficit	(3,001,231)	(22,448)	(74,285)	(11,000)	(107,733)	(3,108,964)
	15,941,576	(22,448)	-	(11,000)	(33,448)	15,908,128
	\$ 22,447,375	\$ (22,448)	\$ -	\$ 9,000	\$ 13,448	\$ 22,433,927

QHR TECHNOLOGIES INC.
MANAGEMENT DISCUSSION & ANALYSIS

The Canadian GAAP statement of financial position at March 31, 2010 has been reconciled to IFRS as follows:

	Previously reported under Canadian GAAP	Property and equipment (i)	Share-based payment (ii)	Total effect of transition to IFRS	Restated under IFRS
ASSETS					
Current assets					
Cash	\$ 679,974				\$ 679,974
Accounts Receivable	2,630,770				2,630,770
Inventory	34,456				34,456
Prepaid expenses and deposits	701,844				701,844
Investment tax credit receivable	579,092				579,092
	4,626,136				4,626,136
Accounts receivable	42,306				42,306
Property and equipment	1,268,551	(22,448)		(22,448)	1,246,103
Goodwill	2,961,192				2,961,192
Intangible assets	8,633,706				8,633,706
	\$ 17,531,891	\$ (22,448)	\$ -	\$ (22,448)	\$ 17,509,443
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 2,867,873				\$ 2,867,873
Promissory notes payable	1,350,222				1,350,222
Current portion of long-term debt	367,008				367,008
Current portion of capital lease obligations	337,347				337,347
	4,922,450				4,922,450
Deferred revenue	4,018,016				4,018,016
	8,940,466				8,940,466
Long-term debt	1,458,206				1,458,206
Capital lease obligations	302,230				302,230
	10,700,902	-	-	-	10,700,902
SHAREHOLDERS' EQUITY					
Share capital	10,496,802				10,496,802
Contributed surplus	153,484		24,572	24,572	178,056
Warrants	578,189				578,189
Deficit	(4,397,486)	(22,448)	(24,572)	(47,020)	(4,444,506)
	6,830,989	(22,448)	-	(22,448)	6,808,451
	\$ 17,531,891	\$ (22,448)	\$ -	\$ (22,448)	\$ 17,509,443

QHR TECHNOLOGIES INC.
MANAGEMENT DISCUSSION & ANALYSIS

The Canadian GAAP statement of earnings and comprehensive income for the twelve months ended December 31, 2010 has been reconciled to IFRS as follows:

Year ended December 31, 2010	Previously reported under Canadian GAAP	IFRS adjustments	Restated under IFRS
Revenue	\$ 19,070,900		\$ 19,070,900
Operating Expenses			
Cost of goods sold	1,945,026		1,945,026
Service costs	7,983,610		7,983,610
Selling and administrative expenses	6,681,652		6,681,652
	<u>\$ 16,610,288</u>		<u>\$ 16,610,288</u>
Earnings before the following items	2,460,612		2,460,612
Share based payments	158,857	39,958	198,815
Amortization of property and equipment	682,737		682,737
Amortization of intangible assets	1,136,947		1,136,947
Interest expense	635,969		635,969
Loss on disposal of capital assets	46,924		46,924
Loss on foreign exchange	5,656		5,656
	<u>2,667,090</u>	<u>39,958</u>	<u>2,707,048</u>
Earnings (loss) before income taxes	(206,478)	(39,958)	(246,436)
Recovery of income taxes			
Current	-	-	-
Deferred	(1,268,000)	11,000	(1,257,000)
	<u>(1,268,000)</u>	<u>11,000</u>	<u>(1,257,000)</u>
Net earnings and comprehensive income	<u>\$ 1,061,522</u>	<u>\$ (50,958)</u>	<u>\$ 1,010,564</u>

QHR TECHNOLOGIES INC.
MANAGEMENT DISCUSSION & ANALYSIS

The Canadian GAAP statement of earnings and comprehensive income for the three months ended March 31, 2010 has been reconciled to IFRS as follows:

Three months ended March 31, 2010	Notes	Previously reported under Canadian	IFRS adjustments	Restated under IFRS
Revenue		\$ 4,661,946		\$ 4,661,946
Operating Expenses				
Cost of goods sold		481,862		481,862
Service costs		2,095,059		2,095,059
Selling and administrative expenses		1,844,110		1,844,110
		4,421,031		4,421,031
Earnings before the following items		240,915		240,915
Stock-based compensation expense	(ii)	19,319	(9,755)	9,564
Amortization of property and equipment		126,815		126,815
Amortization of intangible assets		275,137		275,137
Interest expense		149,290		149,290
Loss on foreign exchange		5,087		5,087
		575,648	(9,755)	565,893
Earnings (loss) before income taxes		(334,733)	9,755	(324,978)
Recovery of income taxes				
Current		-		-
Deferred		-		-
		-		-
Net loss and comprehensive income		\$ (334,733)	\$ 9,755	\$ (324,978)

The Canadian GAAP statement of cash flows for the three months ended March 31, 2010 has been reconciled to IFRS as follows:

Three months ended March 31, 2010	Notes	Previously reported under Canadian GAAP	IFRS adjustments	Restated under IFRS
OPERATING ACTIVITIES				
Net earnings (loss)		\$ (334,733)	\$ 9,755	\$ (324,978)
Items not affecting cash				
Amortization of property and equipment		126,815		126,815
Amortization of intangible assets		275,137		275,137
Stock-based compensation	(ii)	19,319	(9,755)	9,564
Changes in non-cash operating assets and liabilities				
Accounts receivable		(383,351)		(383,351)
Inventory		(3,066)		(3,066)
Prepaid expenses and deposits		35,397		35,397
Accounts payable and accrued liabilities		(809,393)		(809,393)
Deferred revenue		1,936,604		1,936,604
		862,729	-	862,729
INVESTING ACTIVITIES				
Purchase of property and equipment		(87,554)		(87,554)
Business acquisition net of cash acquired		(42,011)		(42,011)
Acquisition of intangible assets		(83,180)		(83,180)
		(212,745)	-	(212,745)
FINANCING ACTIVITIES				
Repayment of long-term debt		(88,605)		(88,605)
Repayment of capital leases		(102,062)		(102,062)
Repayment of promissory note		(1,854,952)		(1,854,952)
Proceeds from share issuances, less issue costs		1,038,000		1,038,000
		(1,007,619)	-	(1,007,619)
Increase (decrease) in cash		(357,635)		(357,635)
Cash - beginning of period		1,037,609		1,037,609
Cash - end of period		\$ 679,974	\$ -	\$ 679,974

6.0 BUSINESS RISKS AND UNCERTAINTIES

Risks Associated with Business and Operations

The Company is exposed to a variety of business risks, some of which are inherent to all commercial enterprises and others specific to the software applications industry. Management endeavors to limit the effects of risk factors through its planning and management processes.

Government Regulation and Funding

The Company operates in market sectors influenced by government regulations and funding policies. The EMS division sells to large healthcare organizations which can result in extended sales cycles and unpredictable timing on license revenue. The adoption rate of EMR software is heavily dependent on the continuation of funding to physicians by provincial governments. Additionally, provincial regulations can significantly impact sales of software in each province. The Company ensures that its products are compliant with government regulations and continually monitors changes in provincial regulations.

Software Industry & Competition

There are risks associated with the software industry. The Company faces competition from companies selling similar solutions which will impact QHR's ability to grow, maintain market share and revenue. Competition may also affect the software functionality that the Company will need to develop and selling strategies it needs to adopt, furthermore the Company cannot be sure it will be able to identify emerging technology and market trends, enhance its existing technologies or develop new technologies in order to effectively compete in its markets. New competitors may also appear as new technologies, products and services are developed. Competition could also affect the Company's pricing strategies and lower revenue and net earnings. Additionally, competition could also affect the Company's ability to recruit and retain key staff as well as retain existing customers.

Operating Results

The Company has incurred losses in the past and revenue in part depends on signing new contracts some of which are subject to long and complex sales cycles. Failure to continue to close these transactions would have a material adverse effect on the Company's operating performance and results.

Acquisitions

A strategic initiative of the Company is to continue to grow through acquisitions. There is no assurance that the Company will find suitable companies to acquire or that the Company will have the necessary resources to make these acquisitions.

Key Employees

Success of the Company largely depends upon the continued efforts and performance of its key employees and executive team. Failure to attract and retain key employees with the requisite skills could have an adverse material impact upon the Company's operating results and financial condition.

Liquidity

The Company's growth strategy anticipates being able to finance the Company's operations and its continued expansion through additional equity investments and debt financing. There is no assurance that the Company will be able to secure such financing in the future.

7.0 FINANCIAL INSTRUMENTS AND RISK EXPOSURES

The Company's financial assets include cash and cash equivalents, short term investments, and trade and other receivables. The carrying value of the Company's financial assets is considered to be a reasonable approximation of fair value due to their immediate or short term maturity, or their ability for liquidation at comparable amounts.

Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its obligations under a contract. This risk primarily arises from the Company's receivables from customers.

The Company's exposure to credit risk is dependent upon the characteristics of each customer. Each customer is assessed for credit worthiness, using third party credit scores and through direct monitoring of their financial well-being on a continual basis. In some cases, where customers fail to meet the Company's credit worthiness benchmark, the Company may choose to transact with the customer on a prepayment basis.

The Company does not have credit insurance or other financial instruments to mitigate its credit risk as management has determined that the exposure is minimal due to the composition of its customer base.

The Company regularly reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts. Pursuant to their respective terms, net accounts receivable was aged as follows as at March 31, 2011, December 31, 2010, and January 1, 2010:

	March 31, 2011	December 31, 2010	January 1, 2010
Current	\$ 5,657,713	\$ 1,913,378	\$ 1,030,640
31-60 days	368,227	653,401	486,987
61-90 days	193,979	11,865	239,488
Greater than 90 days	548,627	382,626	521,260
Allowance for doubtful accounts	(117,105)	(127,073)	(71,524)
	\$ 6,651,441	\$ 2,834,197	\$ 2,206,851

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

As at March 31, 2011, the Company had cash of \$5,592,129 and accounts receivables of \$6,651,441 for a total of \$12,243,570 which will cover its short-term financial obligations from its trade and other payables of \$4,149,712, promissory note of \$84,016 and capital leases of \$843,636, which total \$5,077,364. The liquidity and maturity timing of these assets are adequate for the settlement of the short-term financial obligations.

Contractual obligations	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
Capital lease obligations	\$ 395,942	\$ 447,694	\$ -	\$ -	\$ 843,636
Promissory note payable	84,016	-	-	-	84,016
Trade and other payables	4,149,712	-	-	-	4,149,712
Total	\$ 4,629,670	\$ 447,694	\$ -	\$ -	\$ 5,077,364

8.0 RISKS ASSOCIATED WITH BUSINESS AND OPERATIONS

The Company's exposure to business and operation risks includes but is not limited to the following:

- The Company recognizes the threats posed by the current credit crisis and global recession, but cannot guarantee that it will be able to successfully navigate through the current downturn.
- The Company cannot be sure it will be able to identify emerging technology and market trends, enhance its existing technologies or develop new technologies in order to effectively compete in its markets
- The Company cannot be sure that it will be able to compete effectively with the current competitors. The Company's markets are intensely competitive. Some competitors have technologies and products that may be more advantageous and compete directly with the Company. Some of these competitors are large, established companies which have significantly greater resources than those of the Company.
- The Company has limited intellectual property protection. The Company's success and ability to compete are dependent, in part, upon its proprietary technology, brand and reputation in the marketplace, and customer relationships.
- If the Company experiences rapid growth and does not manage it effectively, profitability may be affected.
- The Company's operations may be disrupted by natural disasters and extreme weather conditions.
- Mergers or other strategic transactions by our competitors could weaken our competitive position or reduce our revenue.
- The Company's level of indebtedness and its failure to comply with our indebtedness arrangements may adversely affect our business and operations. As at March 31, 2011 the Company currently holds no applicable debt requiring a credit facility.

9.0 RISKS ASSOCIATED WITH THE VALUE OF SHARES

The current financial market volatility can result in wide fluctuations in the market price of the Company's stock. Despite the previously mentioned profitable results, the uncertainty and volatility in current financial markets can result in wide fluctuations in the market price of the Company's stock. The Company's operating results have varied on a quarterly basis in the past and may fluctuate significantly in the future