QHR Technologies Inc.

Management Discussion and Analysis (MD&A) of Financial Condition and Results of Operations

For the Three Months and

Year Ended December 31, 2011

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1.0 INTRODUCTION

The following Management Discussion and Analysis of QHR Technologies Inc. ("QHR" or "the Company") as of April 12, 2012 should be read in conjunction with the audited condensed consolidated financial statements for the year ended December 31, 2011 and December 31, 2010, 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.

Management is responsible for establishing appropriate information systems, procedures and controls to ensure that all financial information disclosed externally, including this MD&A, and used internally by us, is complete and reliable. These procedures include the review and approval of our financial statements and associated information, including this MD&A, first by our management, then by our Board of Directors' Audit Committee and, finally, by our Board of Directors as a whole.

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.

Caution Regarding Forward Looking Statements

Many factors could cause the actual results of the Company to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements, including, without limitation, each of the following factors, and those factors which are further discussed in the Company's Annual Information Form ("AIF"), a copy of which is available on SEDAR at www.sedar.com.

i. The Company's revenues may fluctuate from quarter to quarter and year to year depending upon sales cycles, customer demand and the timing of customer purchase decisions;
ii. The Company's gross margins may fluctuate from period to period depending upon a variety of factors including product mix in the quarter, competitive pricing pressures and the level of sales generated through indirect channels;
iii. The Company faces intense competition in markets where there are typically several different competing technologies and rapid technological changes. The Company faces the risk of emergence of new technologies that may be either competitive to those of the Company or that change the requirements of the Company's customers for solutions such as those offered by the Company;

2.0 BUSINESS OVERVIEW

2.1 Overview of the Business

QHR is a leading provider of software solutions targeted for the healthcare industry in Canada, federal and provincial funded entities which provide healthcare, wellness, social services, public safety and other related government funded agencies. QHR's solutions are segmented into two operating divisions to take advantage of distinct market opportunities, namely the ***Enterprise Management Software*** ("EMS") applications, marketed under the Quadrant™ brand and ***Electronic Medical Records*** ("EMR") software, marketed under the Accuro® EMR brand.

The ***Enterprise Management Software*** ("EMS") applications, marketed under the Quadrant™ brand is comprised of two product offerings, namely *Workforce Management Software* and *Financial Management Software*. The Workforce Management Software consists of integrated applications including payroll, staff scheduling and human resources management solutions for complex healthcare, social service and public safety 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.

The ***Electronic Medical Records*** ("EMR") software, is marketed primarily 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 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. The Company provides customers on these legacy systems with a cost-effective upgrade path to the newer and more advanced Accuro® system. To service market demands, the EMR division also provides integrated data hosting services to both its EMR customers who prefer to access the software solution through a hosted 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 in conjunction with third party co-location data centers 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

EMS division

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, HR and payroll needs of complex work environments and the Financial Management Software 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 in January 2009, and target healthcare, social service and public safety 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.

EMR division

The EMR division operates in a rapidly changing marketplace, with increased adoption of EMR systems in Canadian physician offices promoted and funded by the Federal and 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 conforms to federal and provincial 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 products and practice management systems from acquired companies for physicians who have not yet upgraded to Accuro®.

Currently there are approximately 69,000 physicians' practicing in Canada of which 51% are specialist and 49% are general practitioners'. Of the total market, only about 30% of all physicians in Canada currently utilize an EMR product provided by approximately 30 vendors. Prior to the Healthscreen acquisition, the Company had approximately 4,000 physicians as clients. With Healthscreen EMR assets acquired on October 11, 2011, the Company now has over 9,000 physicians as clients and is currently the largest EMR vendor in Canada based on the number of physician clients.

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.

In 2010, the Company's EMR division's goal was to become the leading provider of EMR systems across Canada. The Company has succeeded in its goal in 2011 by establishing a strong market position in B.C., Alberta, Saskatchewan, Manitoba, and Ontario with the recent acquisition of the EMR assets of Healthscreen, formerly a leading vendor of EMR software in Ontario. The Company now has approximately 21% market share of the physicians as clients in Ontario.

During 2011, OntarioMD evaluated 21 EMR products and the respective EMR vendors for compliance with Specification 4.0 which sets a new standard for vendors to be eligible for funding. This technical standard may be a barrier to entry for new competitors entering the market and may eliminate current competitors from participating in the future program.

As at December 31, 2011, the Company has been approved as one of four vendors that have met all the requirements to be Specification 4.0 certified and is funding eligible.

Overall, the Company's strategy for this division is to:

1. Gain market share through both organic growth and acquisitions
2. Leverage its national presence to maximize revenue
3. Continue to grow as the leading national provider to EMR clients

Additionally, the Company has enhanced its competitive position through the formation of its hosting operations. Hosting 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, clients increase their ROI 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 revenue model is based upon providing professional services to customers to implement those business solutions and thereafter the Company enjoys ongoing recurring revenues from support and maintenance contracts as well as licensing fees as long as customers continue to use the Company's products. As at December 31, 2010, recurring revenues for 2011 were predicted to reach $12.5 million and the actual recurring revenue amount generated was $13.8 million. Recurring revenues for 2012 have reached approximately $16.0 million on an annualized basis.

EMS 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 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%.

Revenue from software licensing is recognized after completion of the initial warranty period. Professional fees to implement the software are recognized as services are rendered and 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 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. Revenue from fees to cover the cost of training and implementation is recognized when the services are provided and completed. Customers continue paying the monthly license and service 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 costs associated with the investment in staff training and challenges associated with converting historic patient data to other systems.

The Company's reputation for strong customer service has provided the EMR division with a customer retention rate exceeding 95% once switching to the Company's core Accuro® EMR product. The division's sales and marketing efforts are focused on selling Accuro® to new customers who are on a competitive product. Existing customers of acquired EMR and patient management systems, such as Clinicare and Healthscreen, are charged recurring monthly or annual fees for software maintenance and support. From time to time annual maintenance and support payments are paid in advance and are recorded as deferred revenue on the balance sheet until they are recognized as revenue.

The hosting operations are dedicated to enhancing our EMR solution by providing data hosting, data storage services and application hosting solutions to the healthcare and other social services sectors. QHR brings together the most experienced ASP hosting and servicing teams and facilities to provide best-in class service to our clients across Canada. We work closely with our customers to tune their environments for optimum performance across their application needs, and provide a managed storage services environment through state-of-the-art facilities instead of local installs.

This operation 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 followed by a monthly recurring subscription fee for maintenance and support of the hosting solution. In addition, the division may resell hardware in conjunction with the software implementation to facilitate optimal system performance. Revenue from these services and the associated hardware is recognized as they are delivered.

3.0 AMALGAMATION OF LEGAL ENTITIES

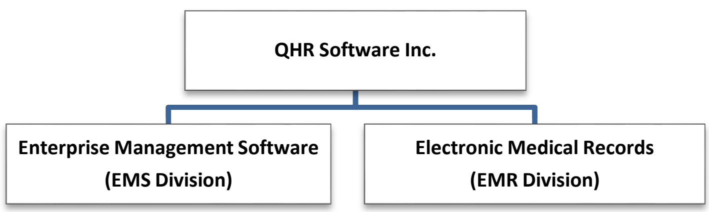
On December 31, 2011 the Company concluded an amalgamation of Optimed Software Corporation, Cloudwerx Data Solutions Inc. and 2293035 Ontario Limited into one operating company as QHR Software Inc.

Prior to the amalgamation, QHR Software Inc., a British Columbia Corporation, Optimed Software Corporation, a British Columbia Corporation, Cloudwerx Data Solution Inc., a British Columbia Corporation and 2293035 Ontario Limited, an Ontario Corporation (collectively “the Amalgamated Subsidiaries”) were all wholly owned subsidiaries of QHR Technologies Inc., a British Columbia Corporation.

As a result of the amalgamation, the assets and liabilities of the Amalgamated Subsidiaries became assets and liabilities of QHR Software Inc. Subsection 87(2) of the Income Tax Act allows assets owned by the predecessor companies to be disposed of and acquired by the new amalgamated company at their tax cost. Therefore, there will not be any income tax liability resulting from the assets being acquired by QHR Software Inc. Additionally, any inter-company debt between the amalgamated subsidiaries and QHR Software Inc. were deemed to be settled at cost. The amalgamation was completed on a tax deferred basis.

4.0 CASH GENERATING UNITS (“CGU”)

The outcome of this exercise provides for a lot simpler structure, lower cost of operations and distinction on CGU’s as further discussed below. The following illustrates the current legal operating structure of the Canadian operations of QHR.



Cash Generating Units

Analysis of the business operations and applying the definition of CGU as being “the smallest identifiable group of assets which can generate cash inflows independently from other assets or groups of assets”, the Company has determined that the CGUs within QHR are the EMS division and the EMR division.

Considerations in Determining CGU

The primary consideration taken into account in determining the CGU’s was that the EMS and the EMR divisions’ cash flows are largely independent of one another. Revenue generated from the two divisions are captured and reported independently, and substantially all the costs associated with each of these divisions such as sales expense, marketing infrastructure, product development are all segregated and specific to each division. Additionally, each of these divisions could be sold on a stand-alone basis which is indicative of an independent cash flow and CGU.

Further consideration was given to the fact that although each of these assets or CGUs had independent cash inflows they also had some shared cash outflows in the form of corporate overhead allocation. Notwithstanding this process, an asset with independent cash inflows but shares cash outflows with another asset would still be considered a CGU and the Company is consistent with this practice. Corporate overhead allocation reflects the cost of a CGU within the corporate environment and costs are apportioned on a staff count in each division.

Additional Consideration

Additional considerations taken into account when determining our CGUs were the following:

The CGU must be meaningful to how investors assess financial results. The segregated information that QHR has provided to the market has always reported EMS and EMR separately. In 2011 the Company had reported hosting services separately as well, the hosting business is just an alternative delivery mechanism to a client based installation of our EMR business and as such is not an independent CGU and will be part of the EMR segmented information in the future.

The business of QHR is organized into two distinct operating divisions with separate executive managing the divisions, separate development operations, independent marketing, support, implementation and sales forces. To this extent the CGU must also be consistent with how each division is managed.

5.0 ACQUISTIONS

Healthscreen Solutions Inc.

On October 11, 2011, 2293035 Ontario Limited, (the "Purchaser"), a wholly owned subsidiary of the Company concluded the acquisition of the software and electronic medical record assets of Healthscreen Solutions Inc., ("Healthscreen"). The Ontario Superior Court of Justice on September 27, 2011, approved the agreement of the purchase and sale between the Purchaser and Deloitte & Touche (the "Receiver") of the assets of Healthscreen, and provided for the vesting in the Purchaser, rights and title to the purchased assets.

The acquisition of Healthscreen was strategically important to the Company as it established QHR as one of the largest EMR vendors in the country's largest market, namely Ontario. The acquisition provided over 5,000 new physician clients to QHR which represent conversion potential for the Company to Accuro® and also provided a turnkey sales and support operation in the Province of Ontario.

The Company paid $5.1 million to become the secured creditor of Healthscreen through the acquisition of two debentures on July 25, 2011 with a combined principal value of $5,107,206, plus $215,821of accrued interest. Additionally, the Company was entitled to recover costs associated with the enforcement and settlement of the debentures which valued the debentures at $5,400,000 (including a gain on the investment of $107,049) at the time of the acquisition. The Company credit bid the value of the debentures, accrued interest and costs with respect to the purchase and sale with the balance of $600,000 financed from the Company's cash.

The identified assets, liabilities and purchase price below are a result of management's best estimates and assumptions after taking into account all relevant information available. The Company conducted studies and analysis of the acquired assets and liabilities to arrive at the final purchase price allocation below.

The fair value of the identifiable assets and liabilities of Healthscreen as at October 11, 2011 are as follows:

	Fair value recognized on acquisition
Assets	
Accounts receivable	$ 300,000
Intangible assets – customer relationships	5,969,000
Intangible assets – acquired technology	532,000
Total assets	6,801,000
Liabilities	
Deferred Revenue	1,680,000
Total liabilities	1,680,000
Total identifiable net assets	$ 5,121,000
Goodwill on acquisition	879,000
Purchase consideration transferred	$ 6,000,000

Fair value of debenture	$	5,400,000
Cash		600,000
Total purchase consideration	$	6,000,000

The Company paid cash consideration of $600,000, and $5,107,206 for the debenture financed from the Company's cash and cash equivalents. The debenture was re-valued at fair value as per the purchase agreement as follows:

Debenture valuation		Total
Cash paid	$	5,107,206
Accrued interest		215,821
Closing adjustment		(30,436)
Legal fees recovered on acquiring the debenture		107,409
Total	$	5,400,000

<u>EMIS Inc.</u>

In the ordinary course of business, the Company is continuously looking to acquire EMR assets and operations of EMR vendors who are looking to exit the market. On July 4, 2011, the Company concluded the acquisition of the software and electronic medical record assets of EMIS Inc. ("EMIS") an EMR vendor based in Edmonton, Alberta. EMIS was a subsidiary of a United Kingdom Corporation desirous of exiting the Canadian EMR market which they announced to the public on March 16, 2011.

The acquisition of EMIS gave the Company greater visibility in the Provinces of Alberta and British Columbia and potentially some future benefit within the province by taking on the responsibility of continuing to service a constituency of physicians that would otherwise have been abandoned by an EMR vendor that left the market.

The identified assets, liabilities and purchase price below are a result of management's best estimates and assumptions after taking into account all relevant information available. The Company conducted studies and analysis of the acquired assets and liabilities to arrive at the final purchase price allocation below.

The fair value of the identifiable assets of EMIS as at July 4, 2011 is as follows:

	Fair value recognized on acquisition	
Assets		
Accounts receivable	$	80,000
Property, plant and equipment		120,025
Intangible assets – customer relationships		105,000
Total identifiable net assets		305,025
Goodwill on acquisition		86,203
Purchase consideration transferred	$	391,228
Net cash outflow on acquisition	$	391,228
Acquisition costs charged to expenses		9,183
Total purchase consideration	$	400,411

6.0 2011 FINANCIAL 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 audited condensed consolidated annual financial statements for the periods ending December 31, 2011 and 2010 are prepared under IFRS. Section 11 includes the significant accounting policies that the Company adopted under and in accordance with the transition rules; we have retroactively applied IFRS to our comparative data for 2010. The Company is not required to apply IFRS to periods prior to 2010 and therefore the 2009 comparative data has been prepared under GAAP.

6.1 Selected Consolidated Financial Information

	2011	2010	2009
REVENUE	$ 23,857,147	$ 19,070,900	$ 13,822,994
OPERATING EXPENSES			
Cost of goods sold	2,094,766	1,945,026	832,005
Service costs	9,868,666	7,983,610	5,608,349
Selling and administrative expenses	8,618,656	6,681,652	4,638,819
	20,582,088	16,610,288	11,079,173
EBIDTA(1)	3,275,059	2,460,612	2,743,821
Stock-based compensation expense	145,414	202,423	109,705
Amortization of property and equipment	509,413	592,150	374,502
Amortization of intangible assets	1,481,742	1,227,534	584,533
Interest expense	114,423	635,969	318,374
Loss on sale of property and equipment	-	46,924	-
Gain on investment	(107,409)	-	-
Loss on foreign exchange	7,660	5,656	2,470
	2,151,243	2,710,656	1,389,584
Earnings (loss) before income taxes	1,123,816	(250,044)	1,354,237
Income taxes			
Current	88,106	-	-
Deferred (recovery)	(434,242)	(1,257,000)	-
	(346,136)	(1,257,000)	-
Net earnings and comprehensive income	$ 1,469,952	$ 1,006,956	$ 1,354,237
Basic earnings per share	$ 0.03	$ 0.03	$ 0.06
Diluted earnings per share	$ 0.03	$ 0.03	$ 0.05
Basic weighted average number of shares outstanding	42,813,470	30,109,936	24,512,973
Diluted weighted average number of shares outstanding	43,335,266	30,682,360	25,267,940

	December 31, 2011	December 31, 2010	Change	Percent
Current assets	$ 5,610,870	$ 8,143,905	$ (2,533,035)	(31)%
Long-term assets	21,392,545	14,290,022	7,102,523	50%
Current liabilities	5,005,795	4,320,799	684,996	16%
Long-term liabilities	4,411,626	2,205,000	2,206,626	100%
Shareholders' equity	17,585,994	15,908,128	1,677,866	11%

(1) EBITDA (earnings before interest, depreciation, taxes, amortization, stock-based compensation and foreign exchange) is a non-IFRS measure. Management believes that EBITDA is a useful complementary measure of pre-tax profitability and is commonly used by the financial and investment community for valuation purposes. QHR's method of calculating EBITDA may differ from the methods used by other entities and, accordingly, our EBITDA may not be comparable to similarly titled measures used by other entities.

6.2 Fourth Quarter Highlights

The following are fourth quarter highlights:

- On October 11, 2011 the Company completed the purchase of the EMR assets of Healthscreen Solutions Inc.
- The Company on a consolidated basis recorded its largest revenue quarter to date, $6,647,944 largely attributable to increase in revenues in the EMR division.
- As at December 31, 2011, the Company is one of only four EMR vendors to pass the OntarioMD Specification 4.0 certification to be funding eligible in Ontario.
- All the operating subsidiaries were amalgamated into a single operating entity (QHR Software Inc.) on December 31, 2011 with two reporting divisions (EMS and EMR).

6.3 Results of Operations

The Company has two operating segments that are components of the Company that engage in business activities from which it may earn revenues and incur expenses. These operating segments are monitored by the Company's chief operating decision makers and strategic decisions are made on the basis of the segment's operating results. The EMS division specializes in Workforce Management Software and Financial Management Software target at medium to large healthcare, public safety and social services organizations. The EMR division provides Electronic Medical Records applications, ASP hosting and data backup services and other technology products and services for use in physicians' medical offices. The Company allocates corporate costs based on the staff count in each division.

Three months ended December 31, 2011	EMS	EMR	Total
Revenues from external customers	$ 2,802,251	$ 3,806,949	$ 6,609,200
Interest revenue	1,094	37,650	38,744
Total revenues	2,803,345	3,844,599	6,647,944
Operating expenses	2,614,108	3,472,761	6,086,869
Operating profit	189,237	371,838	561,075
Stock-based compensation	26,923	34,954	61,877
Amortization of property and equipment	28,497	76,218	104,715
Amortization of intangible assets	121,745	421,135	542,880
Interest expense	16,219	24,003	40,222
Loss on foreign exchange	295	477	772
Loss before income taxes	(4,442)	(184,949)	(189,391)
Income tax (recovery)	(24,456)	(395,769)	(420,225)
Net earnings	$ 20,014	$ 210,820	$ 230,834

Three months ended December 31, 2010	EMS	EMR	Total
Revenues from external customers	$ 2,441,170	$ 2,237,254	$ 4,678,424
Interest revenue	(399)	(7,340)	(7,739)
Total revenues	2,440,771	2,229,914	4,670,685
Operating expenses	1,970,749	1,890,004	3,860,753
Operating profit	470,022	339,910	809,932
Stock-based compensation	44,303	68,675	112,978
Amortization of property and equipment	51,460	40,220	91,680
Amortization of intangible assets	143,437	243,659	387,096
Interest expense	294,218	(35,684)	258,534
Loss on sale of capital assets	-	46,924	46,924
Gain on foreign exchange	(867)	(792)	(1,659)
Loss before income taxes	(62,529)	(23,092)	(85,621)
Income tax (recovery)	(32,000)	(1,225,000)	(1,257,000)
Net (loss) earnings	$ (30,529)	$ 1,201,908	$ 1,171,379

Year ended December 31, 2011	EMS	EMR	Total
Revenues from external customers	$ 12,219,586	$ 11,390,465	$ 23,610,051
Interest revenue	22,492	224,604	247,096
Total revenues	12,242,078	11,615,069	23,857,147
Operating expenses	9,469,140	11,112,948	20,582,088
Operating profit	2,772,938	502,121	3,275,059
Stock-based compensation	70,671	74,743	145,414
Amortization of property and equipment	137,959	371,454	509,413
Amortization of intangible assets	436,639	1,045,103	1,481,742
Interest expense	39,909	74,514	114,423
Gain on investment	-	(107,409)	(107,409)
Loss (gain) on foreign exchange	7,808	(148)	7,660
Earnings (loss) before income taxes	2,079,952	(956,136)	1,123,816
Income tax (recovery)	147,636	(493,772)	(346,136)
Net earnings (loss)	$ 1,932,316	$ (462,364)	$ 1,469,952

Year ended December 31, 2010	EMS	EMR	Total
Revenues from external customers	$ 9,848,074	$ 9,214,546	$ 19,062,620
Interest revenue	3,687	4,593	8,280
Total revenues	9,851,761	9,219,139	19,070,900
Operating expenses	8,417,379	8,192,909	16,610,288
Operating profit	1,434,382	1,026,230	2,460,612
Stock-based compensation	116,753	85,670	202,423
Amortization of property and equipment	201,431	390,719	592,150
Amortization of intangible assets	450,673	776,861	1,227,534
Interest expense	399,731	236,238	635,969
Loss on sale of capital assets	-	46,924	46,924
(Gain) loss on foreign exchange	(148)	5,804	5,656
Earnings (loss) before income taxes	265,942	(515,986)	(250,044)
Income tax (recovery)	(32,000)	(1,225,000)	(1,257,000)
Net earnings	$ 297,942	$ 709,014	$ 1,006,956

Revenues

The Company recorded $6,647,944 in revenue for the three months ending December 31, 2011 [which includes $30,436 in interest income earned on the Healthscreen debentures] compared to $4,670,685 for the three months ending December 31, 2010 an increase of 42% and $23,857,147 for the year ended December 31, 2011 compared to $19,070,900 for the year ended December 31, 2010 an increase of 25%.

The EMS division revenue for the fourth quarter was $2,803,345 compared to $2,440,771 for the same period last year an increase of 15%. This increase is consistent with the financial budget for the period and supported by a large percent of recurring revenue.

The EMR division revenue for the fourth quarter was $3,844,599 compared to $2,229,914 for the same period last year an increase of 72%. This increase is attributable to continued growth in the division's recurring revenue in addition to approximately $718,000 as a result of the acquisition of Healthscreen.

Operating Expenses

Operating expenses for the three months ended December 31, 2011 including cost of goods sold were $6,086,869 compared to $3,860,753 for the same period in 2010, an increase of 58%. The increase in operating expenses is partly attributed to staffing increases in both the EMS and EMR divisions and the additional expenses related to the Healthscreen asset acquisition. The remaining increase in expenses over 2010 is as a result of the corresponding costs associated with the 42% increase in revenue for the quarter.

Other Expenses

Other expenses including stock-based compensation, amortization, interest and foreign exchange were $750,466 for the three months ending December 31, 2011 compared to $895,553 for the same period in 2010. The difference is partly attributed to a decrease in interest expense for the year.

Earnings

EBIDTA(1) for the three months ended December 31, 2011 was $561,075 compared to $809,932 for the same period in 2010. EBIDTA(1) for the year ended December 31, 2011 was $3,275,059 compared to $2,460,612 for the same period last year an increase of $814,447 or 33%. The net earnings for the year ended December 31, 2011 was $1,469,952 compared to $1,006,956 in 2010, an increase of $462,996 or 46%.

6.4 Summary of Fourth Quarter Results

- Revenue for the quarter ending December 31, 2011, totaled $6,647,944, 42% higher than the $4,670,685 reported in the same period for 2010.
- Operating expenses were $6,086,869 in the fourth quarter compared to $3,860,753 for the same period in 2010. The increase in operating expenses is partly attributed to staffing increases in both the EMS and EMR divisions and the additional expenses related to the Healthscreen asset acquisition. The remaining increase in expenses over 2010 is as a result of the corresponding costs associated with the 42% increase in revenue for the quarter.
- EBIDTA(1) was $561,075 in the fourth quarter compared to $809,932 in the same period in 2010.
- Net earnings and comprehensive income was $230,834 in the fourth quarter compared to earnings of $1,171,379 in the same period in 2010. The decrease in earnings was largely attributed to a reduced tax recovery in 2011 of $346,146 compared to $1,257,000 in the same period in 2010.
- Earnings per share (basic & diluted) was $0.01 for the quarter compared to $0.04 for the same period in 2010.
- As at December 31, 2011 the Company had positive working capital(2) totaling $605,075 compared to $3,823,106 as at December 31, 2010. The working capital(2) decrease is primarily due to cash used for the acquisition of Healthscreen.

(2) 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	$ 5,230,505	$ 5,496,797	$ 6,647,944
Net earnings and comprehensive income	976,808	112,986	149,324	230,834(3)
Net earnings per share – basic	0.02	0.00	0.00	0.01
Net earnings per share – diluted	0.02	0.00	0.00	0.01
Weighted average common shares outstanding				
Basic	42,903,510	42,790,621	42,809,914	42,813,470
Diluted	43,780,767	43,146,750	43,287,195	43,335,266
2010				
Revenue	$ 4,661,946	$ 5,092,462	$ 4,645,807	$ 4,670,685
Net (loss) earnings and comprehensive income	(324,798)	282,403	(122,028)	1,171,379(3)
Net earnings per share – basic	(0.01)	0.01	0.00	0.04
Net earnings per share – diluted	(0.01)	0.01	0.00	0.04
Weighted average common shares outstanding				
Basic	28,235,953	29,886,965	30,259,774	30,109,936
Diluted	29,123,833	30,621,330	30,987,648	30,682,360

(3) Amount reflects an income tax recovery recognized in the 4th quarter of 2010 of $1,257,000 and $346,136 in 2011.

The Company has restated the 2010 comparative data in accordance with IFRS. The Company is not required to apply IFRS to periods prior to 2010.

Quarterly results from the two divisions fluctuate from quarter to quarter due to seasonal influences on sales volumes. The timing of license sales within the EMS division can create significant fluctuations in the quarterly results as some large contracts represent a significant share of sales for a given quarter. The timing of these license sales is unpredictable. The EMR division's quarterly results have historically been less volatile as recurring revenues provide a consistent revenue stream. During the fourth quarter of 2011, the Company acquired Healthscreen and the acquisition of the clients contributed to the largest revenue quarter for the Company.

Economic Outlook and Company Strategy

Management believes that 2012 will continue to present challenges to most Canadian businesses. Notwithstanding these challenges, healthcare is a steady and growing market and recent new contracts already announced in 2012 indicate continued growth opportunities for the Company.

- Total spending in healthcare in Canada is expected to reach approximately $195 billion in 2012. 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 health agencies, hospitals, long-term care facilities, social support agencies, public safety and physicians' offices 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;
- Federal and Provincial Governments are accelerating investment in information technology infrastructure creating more demand for the Company's products, and
- There has been no evidence of the provinces retracting funding programs for physicians who are migrating to EMR products.

Management 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, strong organic growth and potential 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 continually evaluate 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 favorable.

6.5 Liquidity and Financial Condition

	December 31, 2011	December 31, 2010
Cash on hand	$ 2,043,637	$ 4,621,810
Working capital(2)	605,075	3,823,106
Shareholders' equity	17,585,994	15,908,128

(2) 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.

The Company ended the year with cash on hand of $2,043,637 compared to $4,621,810 for the same period in 2010. The Company had positive working capital(2) of $605,075 at December 31, 2011, a decrease of $3,218,031 from December 31, 2010, due primarily to the Healthscreen acquisition.

Operating Activities

For the year ended December 31, 2011, operating activities resulted in net cash inflows of $2,583,169 compared to net cash inflows of $1,708,185 in 2010. The increase for the year is partly due to a reduced deferred tax recovery from the previous period.

Investing Activities

For the year ended December 31, 2011, the Company made net investments of $6,677,327 compared to $947,428 in 2010. Investments were primarily related to increased intangible assets through the Healthscreen and EMIS acquisitions.

Financing Activities

For the year ended December 31, 2011 the Company generated cash from financing activities of $1,515,985 compared to $2,823,444 in 2010. The decrease in cash generation for financing activities was partly the result of proceeds from share issuances in 2010.

6.6 Capital Resources

Our capital resources as at December 31, 2011 were in cash and cash equivalents in the amount of $2,043,637. The Company plans to continue to fund cash requirements through operations. If required, the Company has credit facilities in place that can be drawn upon. During 2011, the Company secured a $2,000,000 non-revolving term loan to help fund the Healthscreen purchase. Further details are described below:

Operating Line of Credit

The Company has a secured operating line of credit with Royal Bank (the "Bank") of up to $1,500,000 subject to and limited to standard borrowing base calculations and margining against trade account receivable. The interest rate is at the Bank's prime rate plus 2.00% per annum. At December 31, 2011, the effective rate on this loan was 5.00%. The operating line of credit is payable upon demand by the Bank. As at December 31, 2011, the company had not drawn down on its operating line.

Term Loan

The Company also secured a $2,000,000 non-revolving term loan from the Bank dated December 22, 2011 repayable in 24 monthly installments of $150,000 plus interest at prime plus 2% per annum. The loan is secured by a general security agreement. A mandatory annual repayment equaling 50% of the Company's free cash flow (defined as earnings before interest, taxes, depreciation and amortization excluding non-cash gains/losses, less taxes, unfunded capital assets and all principal payments) is payable within 120 days of the fiscal year end.

Subsequent to the year end December 31, 2011 the loan agreement was amended on March 2, 2012 wherein the monthly minimum payment was reduced from $150,000 to $75,000 per month.

As at December 31, 2011 the Company has the following externally imposed capital requirements under its operating line of credit and term loan agreements.

a) EBITDA (less cash income taxes and unfunded capital expenditures) to Fixed Charges (total interest expense, scheduled principal payments in respect to funded debt and corporate distributions) - the ratio is calculated on a rolling 4 quarters basis for the fiscal quarter then ended and the immediately preceding 3 fiscal quarters, of not less than 1.50:1.
b) Funded debt to EBITDA - calculated on a rolling 4 quarters basis for the fiscal quarter then ended and the immediately preceding 3 fiscal quarters, of not greater than 2.00:1.

EBITDA is defined as earnings before interest, taxes, depreciation and amortization and is a non-IFRS measure. Unfunded capital expenditures are defined as capital expenditures not financed by external sources. Funded debt includes the term loan and capital lease obligations. Fixed charges are comprised of total interest expense, scheduled principal payments in respect of funded debt, and corporate distributions.

As at December 31, 2011, the Company is in compliance with its bank covenants.

6.7 Contractual Obligations

The Company's known contractual obligations at December 31, 2011, are quantified in the following table:

December 31, 2011	Less than 1 year	1 to 3 years	Total
Promissory note payable	$ 83,495	$ -	$ 83,495
Capital lease obligations	457,559	289,080	746,639
Operating office leases	902,350	671,143	1,573,493
Long-term debt	1,869,209	267,946	2,137,155
Total	$ 3,312,613	$ 1,228,169	$ 4,540,782

7.0 OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2011and April 12, 2012, the Company did not have any off balance sheet arrangements.

8.0 RELATED PARTY TRANSACTIONS

Compensation of key management personnel including the Company's Chief Executive Officer and Chief Financial Officer are as follows:

	2011	2010
Short-term employee benefits	$ 618,250	$ 461,515
Share based payments	60,363	57,382
	$ 678,613	$ 518,897

During the year ended December 31, 2011 the Company borrowed $Nil (2010 - $300,000) from related parties and the total interest paid or accrued on all related party loans was $Nil (2010 - $21,084).

9.0 PROPOSED TRANSACTIONS

As at April 12, 2012, the Company had not committed to any asset or business acquisitions or dispositions.

10.0 FINANCIAL INSTRUMENTS AND RISK EXPOSURES

Fair Value Measurement

The Company's current financial assets include cash and receivables. The Company's financial liabilities include accounts payable and accrued liabilities, promissory notes payable and long- term debt.

The Company has classified its cash, and receivables as loans and receivables, 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 financial liabilities, measured at amortized cost using the effective interest rate method.

The carrying value of the Company's financial assets and liabilities 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 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:

	December 31, 2011	December 31, 2010
Current	$ 992,387	$ 1,847,295
31-60 days	1,017,317	653,401
61-90 days	276,293	11,932
Greater than 90 days	666,180	448,641
Allowance for doubtful accounts	(101,639)	(127,072)
	$ 2,850,538	$ 2,834,197

Allowance for doubtful accounts	**December 31, 2011**	December 31, 2010
Opening	$ (127,072)	$ (71,524)
Allowance	(111,393)	(83,396)
Recovery	136,826	27,848
Total	$ (101,639)	$ (127,072)

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 December 31, 2011, the Company had cash of $2,043,637 and accounts receivables of $2,850,538 for a total of $4,894,175 which may not completely cover its short-term financial obligations from its trade and other payables of $2,633,501, promissory note of $83,495, capital lease obligations of $690,520 and current and long-term debt of $2,035,386 which total $5,442,902. The liquidity and maturity timing of these assets are adequate for the settlement of the Company's short-term (less than 1 year) financial obligations.

December 31, 2011	Less than 1 year	1 to 3 years	4 to 5 years	Total
Accounts payables and accrued	$ 2,633,501	$ -	$ -	$ 2,633,501
Promissory note payable	83,495	-	-	83,495
Capital lease obligations	457,559	289,080	-	746,639
Current and long-term debt	1,869,209	267,946		2,137,155
Total	$ 5,043,764	$ 557,026	$ -	$ 5,600,790

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. For the period ending December 31, 2011, approximately 2% (December 31, 2010 - 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.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Company's is exposed to changes in market interest rates through bank borrowings at variable interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculates are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Interest rate sensitivity	Profit and equity for the year	
	-1%	+1%
December 31, 2011	$ 20,354	$ (20,354)
December 31, 2010	-	-

11.0 CONVERSION TO IFRS

IFRS 1, *First Time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retroactively at the transition date of January 1, 2010 with all adjustments to assets and liabilities taken to retained earnings or if appropriate another category of equity unless certain exemptions are applied. The Company has applied the following optional exemptions to its opening statement of financial position dated January 1, 2010:

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 previous 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 period ended December 31, 2011, the year ended December 31, 2010 and 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.
- The impairment is the amount by which the carrying value exceeds the recoverable amount. The recoverable amount of an asset or a CGU 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 undiscounted 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) Reclassification

<u>Under IFRS:</u>
- All deferred tax assets and liabilities are classified as non-current.
- Capitalized software is classified as an intangible.

<u>Under Canadian GAAP</u>
- Deferred tax assets and liabilities are classified as current or non-current as appropriate.
- Capitalized software can be can be classified as either as property, plant and equipment or an intangible.

As a result, the Company reclassified its software and deferred tax asset and liabilities to comply with IFRS guidelines.

(iv) Statement of cash flows

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

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	Share-based payment	Reclassification	Total effect of transition to IFRS	Restated under IFRS
ASSETS		(i)	(ii)	(iii)		
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)		(131,448)	(153,896)	1,153,916
Goodwill	2,919,181					2,919,181
Intangible assets	8,825,663			131,448	131,448	8,957,111
	$ 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 capital lease	366,659					366,659
Current portion of long-term debt	395,526					395,526
	7,644,625					7,644,625
Deferred revenue	2,081,412					2,081,412
	9,726,037					9,726,037
Capital lease obligations	374,980					374,980
Long-term debt	1,518,293					1,518,293
	11,619,310	-	-	-	-	11,619,310
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)	$ -	$ -	$	$ 17,705,265

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	Share-based payment	Reclassification	Total effect of transition to IFRS	Restated under IFRS
ASSETS		(i)	(ii)	(iii)		
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)		(86,211)	(108,659)	1,505,016
Deferred taxes	957,000			596,000	596,000	1,553,000
Goodwill	2,956,625					2,956,625
Intangible assets	8,189,170			86,211	86,211	8,275,381
	$ 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
EQUITY						
Share capital	17,669,668					17,669,668
Contributed surplus	248,796		77,893		77,893	326,689
Warrants	1,024,343					1,024,343
Deficit	(3,001,231)	(22,448)	(77,893)	(11,000)	(111,341)	(3,112,572)
	15,941,576	(22,448)	-	(11,000)	(33,448)	15,908,128
	$ 22,447,375	$ (22,448)	$ -	$ 9,000	$ (13,448)	$ 22,433,927

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

Year ended December 31, 2010	Notes	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
		16,610,288		16,610,288
Earnings before the following items		2,460,612		2,460,612
Stock-based compensation expense	(ii)	158,857	43,566	202,423
Amortization of property and equipment	(iii)	682,737	(90,587)	592,150
Amortization of intangible assets	(iii)	1,136,947	90,587	1,227,534
Interest expense		635,969		635,969
Loss on sale of capital assets		46,924		46,924
Loss on foreign exchange		5,656		5,656
		2,667,090	43,566	2,710,656
Loss before income taxes		(206,478)	(43,566)	(250,044)
Recovery of income taxes				
Current		-		-
Deferred	(iii)	(1,268,000)	11,000	(1,257,000)
		(1,268,000)	11,000	(1,257,000)
Net loss and comprehensive income		$ 1,061,522	$ (54,566)	$ 1,006,956

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

Year ended December 31, 2010	Notes	Previously reported under Canadian GAAP	IFRS adjustments	Restated under IFRS
OPERATING ACTIVITIES				
Net loss		$ 1,061,522	$ (54,566)	$ 1,006,956
Items not affecting cash				
Amortization of property and equipment	(iii)	682,737	(90,587)	592,150
Loss on disposition of property and equipment		46,924		46,924
Amortization of intangible assets	(iii)	1,136,947	90,587	1,227,534
Stock-based compensation	(ii)	158,857	43,566	202,423
Accretion on long-term debt		42,284		42,284
Deferred taxes	(iii)	(1,268,000)	11,000	(1,257,000)
Changes in non-cash operating assets and liabilities				
Accounts receivable		(544,472)		(544,472)
Inventory		(38,848)		(38,848)
Prepaid expenses and deposits		119,581		119,581
Investment tax credits receivable		579,092		579,092
Accounts payable and accrued liabilities		145,892		145,892
Deferred revenue		(414,331)		(414,331)
		1,708,185	-	1,708,185
INVESTING ACTIVITIES				
Purchase of property and equipment	(iii)	(420,087)	(45,237)	(465,324)
Business acquisition net of cash acquired		(26,887)		(26,887)
Acquisition of intangible assets	(iii)	(500,454)	45,237	(455,217)
		(947,428)	-	(947,428)
FINANCING ACTIVITIES				
Repayment of capital leases		(400,532)		(400,532)
Repayment of long-term debt		(1,956,103)		(1,956,103)
Proceeds from promissory note		500,000		500,000
Repayment of promissory note		(3,466,998)		(3,466,998)
Proceeds from share issuances, less issue costs		8,147,077		8,147,077
		2,823,444		2,823,444
Decrease in cash		3,584,201		3,584,201
Cash - beginning of period		1,037,609		1,037,609
Cash - end of period		$ 4,621,810		$ 4,621,810

12.0 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.

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. 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 the excess of the fair value of consideration transferred and amount of non-controlling interest in the acquiree over the acquisition fair value of the net identifiable assets acquired and liabilities assumed. If this amount 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.

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. 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 reviewing all specific customer accounts and trends and sets aside a specific amount towards the allowance account based on this analysis. The amount reserved is based on the Company's historical default experience direct knowledge of customer credit worthiness, and payment trends. Customer aging is reviewed monthly by management to ensure consistency with best practices. At any time 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.

The assets with indefinite useful lives are not amortized, but are tested for impairment annually 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 with finite lives on a straight-line basis at the following annual rates, which approximate the useful lives of the assets:

Assets	Period
Developed technology	3 - 5 years
Contract development	3 years
Customer relationships	1- 10 years
Acquired technology	3 - 7 years
Software	3 years

Revenue Recognition

EMS division

Software license revenues are recognized after delivery and acceptance by clients in accordance with the terms of each contract. For multiple element arrangements, the contract value is allocated and recognized separately for each element. Professional fees to implement the software are recognized when the amount of revenue and cost can be measured reliably, and the stage of completion of the service can be measured reliably. Annual maintenance and support revenue is paid in advance and recognized on a straight-line basis throughout the year as this approximates the rate at which the service is delivered. Annual maintenance and support payments received in advance are recorded as deferred revenue on the balance sheet, until earned.

EMR division

EMR systems are sold based on monthly and annual subscription agreements with 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 amount of revenue and expense can be measured reliably, and when the stage of completion of the service can be measured reliably.

The EMR division provides hosting services to 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 followed by a monthly recurring subscription fee for maintenance and support of the hosting solution. In addition, the division may resell hardware in conjunction with the software implementation to facilitate optimal system performance. Revenue from these services and the associated hardware is recognized as they are delivered.

The EMR division sales and marketing efforts are focused on selling Accuro® (the Company's flagship EMR product) to new and acquired customers. Existing customers of its other acquired EMR and patient management systems are charged recurring monthly or annual fees for software maintenance and support. From time to time annual maintenance and support payments are paid in advance and are recorded as deferred revenue on the balance sheet until they are recognized as revenue.

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.

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 accounts for income tax credits in accordance with IAS 12, *Income Taxes* where credits are recorded as a credit to income tax expense on the statement of earnings and comprehensive income.

13.0 CONTINGINCIES

In the normal course of business, from time to time, the Company may become involved in litigation. As at December 31, 2011, the Company is a defendant in a claim relating to a dispute arising from the Company's acquisition of Clinicare Corporation. Management believes the claim is without merit and has responded with a statement of defense and a counter claim for damages. The foundation of the dispute relates to a hold back that the Company made on disbursements of proceeds based on specific commercial attributes not being evident upon closing which were represented by the vendor. Accordingly, the Company is confident that there will be no material impact arising from this litigation.

On October 18, 2011 the Company and two of its recently hired employees, received a statement of claim filed in the Ontario Supreme Court of Justice, relating to the hiring of two employees that formerly were employed by an Ontario-based EMR Company ("the Claimant"). The Claimant has requested (amongst other things) that the court grant in excess of $10,000,000 in damages against QHR and its two employees. QHR contends that there is no merit to the claims made by the Claimant. The Company will aggressively and vigorously defend itself in this action and believes that there will be no material impact arising from this litigation.

14.0 BUSINESS RISKS AND UNCERTAINCIES

Investors should carefully consider the risks and uncertainties described below before making an investment decision. If any of the following risks actually occur, the business, financial condition or operating results could be materially harmed. This could cause the trading price of the common shares to decline, and the investor may lose all or part of their investment. The items of the following list of risk factors are in no particular order or priority to the Company.

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 it 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 completion 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.

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.
- The Company may encounter difficulties completing or integrating acquisitions which could adversely affect the Company’s operating results.
- The Company’s level of indebtedness and its failure to comply with our indebtedness arrangements may adversely affect our business and operations. As at December 31, 2011 the Company is in compliance with its bank covenants.

Share Value

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.