QHR CORPORATION

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

For the Year Ended December 31, 2013 and 2012

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1.0 INTRODUCTION

The following Management Discussion and Analysis of QHR Corporation ("QHR" or "the Company") as of April 23, 2014, should be read in conjunction with the audited consolidated financial statements for the period ended December 31, 2013, and related notes included therein. These audited consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All amounts are expressed in Canadian Dollars. 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. The MD&A and audited consolidated financial statements were reviewed by the Company's Audit Committee and approved by the Company's Board of Directors.

Additional information relating to the Company including the Company's most recent Annual Financial Statements is available on our website at http://www.QHRtechnologies.com and through the SEDAR website at http://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 years, 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.

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;

The Company's gross margins may fluctuate from year to year depending upon a variety of factors including product mix, related cost of sales, competitive pricing pressures and the level of sales generated in the quarter;

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 OVERIEW

2.1 Overview of the Business

QHR is a leading provider of software solutions targeted for the healthcare industry in Canada and the United States. In Canada QHR targets federal and provincial funded entities, which provide primary healthcare. QHR's solutions are segmented into two operating divisions to take advantage of distinct market opportunities, namely ***Electronic Medical Records*** ("EMR") software, marketed under the Accuro® EMR brand and ***Revenue Cycle Management*** ("RCM") marketed through the i-Plexus and Softcare Solutions product lines that are sold primarily in the United States.

2.2 Company Products and Services

EMR division

The EMR software, is marketed under the Accuro® EMR brand. This comprehensive medical software is designed to improve the quality and efficiency of the operational work environment for 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 products 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. In addition, some provincial programs give preference to, and/or mandate a hosted environment to meet the provincial EMR subsidy program requirements for physicians. To service this market demand, the EMR division provides integrated data hosting services to its EMR customers who are required / prefer to access the software solution through a hosted Application Service Provider ("ASP") environment. The Company runs data centers operations in Eastern and Western Canada.

Accuro® EMR is a client server application deployed on local server or ASP out of the QHR Data Centers. Accuro® is cross platform to run on both Mac and PC, and has a Mobile Device interface. This makes Accuro® one of the most powerful and flexible systems on the market that explains it popularity as the leading EMR in Canada. Product releases are done using agile methodology, providing customer's regular releases and new functionality every eight weeks through automated updates. QHR is committed to ongoing product evolution to support our growing number of customers across Canada.

The Company's has grown its market share organically and through acquisition. From an acquisition stand point the Company has selectively acquired legacy-based EMR and practice management systems, which adds to the Company's recurring revenue and increases its customer base. The Company selectively implements unique functionality from the acquired systems into the Accuro® product. To facilitate acquired customers converting to the Accuro® system, the company has developed 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, more cost effective technology and helps ensure they will remain on our systems over the long term. This industry leading data conversion process also helps facilitate competitive takeaways (moving customers from competitor's products to Accuro®).

Currently there are approximately 72,000 physicians practicing in Canada of which 51% are specialists and 49% are general practitioners. Of this total market, about 40% of all physicians in Canada currently utilize an EMR product provided by approximately 30 vendors. The Company has succeeded in establishing a strong market position in B.C., Alberta, Saskatchewan, Manitoba and Ontario and has recently made inroads in Nova Scotia. With over 9,000 physician clients, representing an approximate 17% share of the 52,000 physicians practicing in the six provinces in which it operates, QHR has become one of the largest EMR vendors in Canada. In Ontario, Canada's largest EMR market with 24,000 physicians, the Company's has an approximate 20% market share

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

1. Continue to gain market share through both organic growth and acquisitions
2. Leverage our existing customer base by up selling complementary products and services

RCM division

Softcare provides a suite of healthcare Interoperability solutions (EDI and Clearinghouse) and professional services that help clients navigate and simplify the complex transaction integration processes required for Health Plan Enrollment through to Payment Remittance with their trading partners. Clients include physicians, hospitals, health plans, insurance brokers and state governments. The EDI software supports processes such as Health Plan enrolment, Health Insurance Eligibility, Health Insurance Claims, and Claim Payments.

The Company currently has approximately 5,000 US Medical Physician and Billing Service customers for its medical claim clearinghouse and managed billing service. The clearinghouse manages the healthcare claim transactions with over 1500 payers.

The Company's strategy for this division is to focus on four segments:

1. Providing EDI Health Claim Status and Eligibility services to Collection Revenue Cycle Management organizations assisting their staff to be more efficient with their client's collection process.

2. Providing EDI Health Claim Submission services to channel partners with EHR software & Ambulance software vendors for Clearinghouse services.

3. Providing EDI Enrollment and verification for Health plans and TPAs to meet compliance of HIPAA and regulatory requirements

4. Medical Billing Services for Ophthalmology Physicians

The RCM division markets Softcare services primarily in the United States.

2.3 Business Model

Recurring Revenue - EMR division

The Company's business model is to provide technologically advanced Accuro® software and build long-term relationships with customers. The revenue model is based upon providing training and implementation services to customers to implement the Accuro® software. The Accuro® EMR software is 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® software, the costs associated with and investment in staff training and the challenges associated with converting historic patient data to other systems. As of December 31, 2013, QHR's run rate for recurring revenues has reached approximately $19.0 million on an annualized basis.

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 earned.

The Company provides data hosting, data storage services and application hosting, 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. From time to time, the EMR division may resell hardware in conjunction with the software implementation to facilitate customer requirements. Revenue from these services and the associated hardware sales is recognized as they are delivered.

RCM division

The Company’s revenues in Canada are derived from software license sales and other supporting fees, such as consulting, training and installation. The Company also provides maintenance and other recurring services, including customer support and software updates which are renewable at the option of the customer.

The Company’s revenues from Softcare are derived from fees collected for processing claims, determining eligibility, setting up records, and producing patient statements. The Company recognizes revenues when the services are provided as long as a contract or similar arrangement is in place, the amounts are readily determinable, and collection is reasonably assured.

The Company recognizes revenues from the development and sale of its Softcare licenses as work related to the development is completed or when legal title transfers if development work is insignificant, which is generally when the product is shipped or, in the case of certain agreements, when the products are delivered to certain customers.

The Company sells license and maintenance contracts that include the right to customer support and unspecified updates of software licenses on a when-and-if-available basis. Sales of updates and maintenance contracts are considered post-contract support, and the fees are deferred and recognized as revenue prorated over the term of the maintenance arrangement, which is generally 12 months. The recognition of any deferred revenue is not contingent upon any specific delivery of product since updates are only provided when-and-if-available.

For software arrangements where the Company is obligated to perform professional services, such as installation, training and consulting, the Company considers delivery to have occurred when no significant obligations remain. Generally, this would occur when substantially all service work has been completed in accordance with the terms and conditions of the agreement with the customer.

3.0 DISCONTINUED OPERATIONS

On December 18, 2013, the Company sold the assets and liabilities of its EMS division for cash consideration of $20,000,000. The division was not considered a discontinued operation or classified as held for sale at September 30, 2013, or December 31, 2012. The Company committed to a plan to sell the division following September 30, 2013. The Consolidated Statement of Earnings and Comprehensive Income have been re-presented to show the discontinued operation separately from continuing operations.

Year ended December 31	**2013**	2012
Results of discontinued operations		
Revenues	$ 8,917,315	$ 11,632,179
Cost of Goods	907,923	1,237,168
Service Costs	2,781,652	3,334,634
Research and development	2,784,877	3,372,751
Sales and marketing	602,283	725,464
General and administrative	1,258,213	2,377,323
Other expenses	938,963	790,115
	9,273,911	11,837,455
Loss from operating activities	(356,596)	(205,276)
Gain on sale of discontinued operations	11,154,653	-
Deferred income tax expense (recovery)	2,601,990	(256,761)
Net earnings for the period from discontinued operations	$ 8,196,067	$ 51,485

4.0 RESTATEMENT

During the 2013 fiscal year, the Company performed a detailed review of its accounting policies for revenue recognition including multiple-element arrangements. As a result of the review, management has determined that the Company's accounting for EMR activation fees under IFRS as presented in previously issued financial statements was not in accordance with generally accepted accounting principles.

In previously reported financial statements, such revenues were recognized upon the initial set up of a new customer. In the restated consolidated financial statements, management has allocated these activation fees to the other identifiable components of the EMR revenue contracts being the data integration component, the training component and the on-going technical support and licensing component. The allocation has been determined using the relative fair value of each separately identifiable component.

The impact of the above adjustments to revenue and the related tax impact are as follows:

Year ended December 31, 2012	Previously reported	Adjustment	Restated
Statement of financial position			
Deferred revenue	$ 4,446,935	$ 358,381	$ 4,805,316
Deferred tax asset	2,948,606	89,600	3,038,206
Deficit	(1,207,241)	(268,781)	(1,476,022)
Statement of earnings and comprehensive income			
Revenue	$ 17,824,136	$ (358,381)	$ 17,465,755
Loss before taxes from continuing operations	(321,785)	(358,381)	(680,166)
Income tax recovery	(705,679)	(89,600)	(795,279)
Net earnings from continuing operations	383,894	(268,781)	115,113
Total comprehensive earnings for the period	431,640	(268,781)	162,859
Net earnings per share from continuing operations	0.01	(0.01)	0.00
Diluted net earnings per share from continuing operations	0.01	(0.01)	0.00

5.0 FINANCIAL REVIEW

The following financial information contains certain non-IFRS measurements and terms. Accordingly, investors are cautioned not to place undue reliance on them and are also urged to read all IFRS accounting disclosures presented in the audited consolidated financial statements and accompanying notes for the period ended December 31, 2013.

5.1 Selected Consolidated Financial Information

December 31	**2013**	2012 (restated)	2011
Revenue	$ 23,653,378	$ 17,465,755	$ 11,615,069
Loss before taxes	(2,371,215)	(680,166)	(956,136)
Current income tax	(2,961)	9,561	2,716
Deferred income tax (recovery)	(693,547)	(804,840)	(496,488)
(Loss) earnings from continuing operations	(1,674,707)	115,113	(462,364)
Earnings from discontinued operations	8,196,067	51,485	1,932,316
Earnings from continuing operations and net earnings per share:			
Basic	(0.04)	0.00	(0.01)
Diluted	(0.03)	0.00	(0.01)
Net earnings	6,521,360	166,598	1,469,952
EBITDA	1,773,841	1,497,366	502,121
Total Assets	34,320,204	33,322,070	27,003,415
Total non-current liabilities	518,765	1,798,576	522,539

5.2 Non-IFRS Measures

Management uses a non-IFRS measure of EBITDA as supplemental measures to evaluate the performance of the Company. EBITDA is defined as earnings before income tax expense, financing costs, depreciation, amortization and stock-based compensation.

Management believes that EBITDA provides an important measure of the Company's operating performance because they allow management, investors and others to evaluate and compare the Company's core operating results, including its return on capital and operating efficiencies, from period to period by removing the impact of its capital structure (interest expense), asset base (depreciation and amortization), tax consequences, other no-core operating items (acquisition costs) and other non-free cash items. EBITDA does not have any standardized meaning prescribed by IFRS, other companies may calculate these non-IFRS measures differently, and therefore our EBITDA may not be comparable to a similar titled measure by other companies. Accordingly, investors are cautioned not to place undue reliance on them and are also urged to read all IFRS accounting disclosures presented in the audited consolidated financial statements and accompanying notes for the year ended December 31, 2013.

5.3 Fourth quarter financial information

The following is Q4 2013 continuing operations financial information:

- The Company sold the EMS division on December 18, 2013 for $20,000,000 before working capital and disbursements resulting in a pre-tax gain on sale of $11,154,653.
- The sale of the EMS division provided for a December 31, 2013 Cash and Accounts Receivable balance of $17,418,169.
- The Company on a consolidated basis recorded record revenue of $6,027,642 an increase of $733,724 or 14% over the $5,293,918 in revenue recorded in the fourth quarter of 2012.
- EBITDA on a consolidated basis was $(476,579) in Q4 compared to $1,022,181 in Q4 of 2012. The loss in Q4 2013 was due to year-end adjustments and restructuring expenses.
- The EMR division recorded record revenue of $5,327,469 an increase of $441,005 or 9% over the $4,886,464 in revenue recorded in the fourth quarter of 2012.
- Consolidated recurring revenue for Q4 of 2013 was 81% of total revenue, which compares to 76% for Q3 of 2013 and 67% for Q4 of 2012.

5.4 Results of Operations

Three months ended December 31, 2013	EMR	RCM	Total
Revenues	$ 5,327,469	$ 700,174	$ 6,027,643
Cost of goods sold	545,191	185,493	730,684
Service costs	2,213,285	398,110	2,611,395
Research and development	556,839	229,022	785,861
Sales and Marketing	880,243	150,693	1,030,936
General and administrative	965,823	379,523	1,345,346
Stock-based compensation	175,455	29,852	205,307
Amortization of property and equipment	28,561	1,215	29,775
Amortization of intangible assets	323,365	100,975	424,340
Interest expense	8,940	5,832	14,773
	5,697,702	1,480,715	7,178,417
Loss from continuing operations before taxes and other income (expenses)	(370,233)	(780,541)	(1,150,774)
Impairment of goodwill and intangible assets	-	1,215,835	1,215,835
Loss from continuing operations before tax	(370,233)	(1,996,376)	(2,366,609)
Income tax recovery	(152,558)	(570,926)	(723,484)
Net loss from continuing operations	(217,675)	(1,425,450)	(1,643,125)

Three months ended December 31, 2012	EMR	RCM	Total
Revenues	$ 4,886,464	$ 407,454	$ 5,293,918
Cost of goods sold	234,744	212,215	446,959
Service costs	1,820,620	1,239	1,821,859
Research and development	587,713	773	588,486
Sales and Marketing	547,968	329,727	877,695
General and administrative	512,905	23,833	536,738
Stock-based compensation	140,136	47,064	187,200
Amortization of property and equipment	30,550	2,189	32,739
Amortization of intangible assets	356,071	70,907	426,978
Interest expense	87,810	9,182	96,992
Loss on assets	135,577	-	135,577
Loss (Gain) on foreign exchange	(2,422)	79	2,343
Expenses	4,451,672	697,208	5,148,880
Earnings (loss) from continuing operations before taxes	434,792	(289,754)	145,038
Income tax (recovery)	366,025	(912,964)	(546,939)
Net earnings from continuing operations	68,767	623,210	691,977

Year ended December 31, 2013	EMR	RCM	Total
Revenues	$ 21,049,073	$ 2,604,305	$ 23,653,378
Cost of goods sold	1,919,944	648,242	2,568,186
Service costs	7,916,741	1,125,037	9,041,778
Research and development	2,036,808	876,759	2,913,567
Sales and Marketing	4,052,112	466,861	4,518,973
General and administrative	1,937,885	899,148	2,837,033
Stock-based compensation	483,687	65,146	548,833
Amortization of property and equipment	555,919	55,306	611,225
Amortization of intangible assets	1,289,512	401,268	1,690,780
Interest expense	56,013	22,371	78,384
	20,248,621	4,560,138	24,808,759
Earnings (loss) from continuing operations before taxes and other income (expenses)	800,452	(1,955,833)	(1,155,381)
Impairment of goodwill and intangible assets	-	(1,215,834)	(1,215,834)
Earnings (loss) from continuing operations before tax	800,452	(3,171,667)	(2,371,215)
Income tax (recovery)	290,331	(986,839)	(696,508)
Net earnings (loss) from continuing operations	510,121	(2,184,828)	(1,674,707)

Year ended December 31, 2012	EMR	RCM	Total
Revenues	$ 17,058,301	$ 407,454	$ 17,465,755
Cost of goods sold	1,770,364	77,578	1,847,942
Service costs	6,413,912	317,364	6,731,276
Research and development	2,124,594	49,702	2,174,296
Sales and Marketing	3,168,714	74,130	3,242,844
General and administrative	1,922,939	49,092	1,972,031
Stock-based compensation	235,320	47,064	282,384
Amortization of property and equipment	217,373	2,189	219,562
Amortization of intangible assets	1,502,561	70,907	1,573,468
Interest expense	92,936	9,182	102,118
Expenses	17,448,713	697,208	18,145,921
Loss from continuing operations before taxes	(390,412)	(289,754)	(680,166)
Income tax (recovery)	117,685	(912,964)	(795,279)
Net earnings (loss) from continuing operations	(508,097)	623,210	115,113

Revenues

The Company recorded revenue of $23,653,378 for the year ended December 31, 2013, compared to $17,465,755 for the year ended December 31, 2012, an increase of 35%.

The EMR division revenue for the fourth quarter was $5,327,469 compared to $4,886,464 for the same period last year, an increase of 9%. This increase is attributable to continued organic growth in recurring revenue from new clients and through the addition of revenue generated from clients added by way of acquisition.

The RCM division revenue for the fourth quarter was $700,174 compared to $407,454 for the same period last year, an increase of 72%. A majority of this revenue increase comes from the U.S. based operation.

Operating Expenses

Total operating expenses for the three months ended December 31, 2013, were $7,178,417 compared to $5,148,880 for the same period in 2012, an increase of 39%. 40% of this increase relates to the full year expense for RCM, the remaining increase is attributed to increased costs in the EMR division for research and development, sales and marketing and service costs.

EBITDA for the three months ended December 31, 2013, was $(476,579) compared to $1,022,181 for the same period in 2012, a decrease of $1,498,760. EBITDA margin as a percentage declined from 19.3% during Q4 2012, to (8)% in Q4 2013. The comprehensive loss for the three months ended December 31, 2013, was $1,612,267 compared to a comprehensive income of $688,238 for the same period in 2012.

Quarterly financial data from continuing operations	Three months ended Mar 31 (Restated)	Jun 30 (Restated)	Sept 30 (Restated)	Dec 31 (Restated)
2013				
Revenue	$ 5,852,925	$ 5,770,862	$ 6,001,948	$ 6,027,643
EBITDA	904,438	697,713	648,269	(476,579)
Net earnings (loss)	163,734	(8,332)	(186,984)	(1,643,125)
Comprehensive income (loss)	197,125	53,388	(231,322)	(1,612,267)
Net earnings per share – basic	0.00	0.00	0.00	(0.04)
Net earnings per share – diluted	0.00	0.00	0.00	(0.03)
Weighted average common shares outstanding				
Basic	47,466,087	47,770,976	47,946,132	47,788,388
Diluted	47,721,847	47,925,693	48,249,048	48,099,791
2012				
Revenue	$ 3,840,441	$ 4,168,089	$ 4,163,307	$ 5,293,918
EBITDA	387,589	(20,568)	108,164	1,022,181
Net loss	(34,280)	(238,735)	(303,849)	691,977
Comprehensive (loss) income	(34,280)	(238,735)	(303,849)	688,238
Net earnings per share – basic	0.00	(0.01)	(0.01)	0.02
Net earnings per share – diluted	0.00	(0.01)	(0.01)	0.02
Weighted average common shares outstanding				
Basic	42,910,621	42,910,621	42,910,621	43,743,037
Diluted	43,364,239	43,139,022	43,179,893	44,031,416

On a consolidated basis, 80% of the revenue (approximately $4.75 million quarterly and $19.0 million annually) is derived from recurring revenues. The EMR division's quarterly results have historically been less volatile as recurring revenues provide a consistent revenue stream. Historical data from the RCM division is limited to only four complete quarters and therefore its quarter to quarter fluctuations cannot reasonably be determined as at December 31, 2013.

Economic Outlook and Company Strategy

Healthcare is a steady and growing marketplace. New client contracts secured during 2013 indicate continued growth opportunities for the Company.

- Total Canadian healthcare spending is expected to reach approximately $195 billion in 2014. The healthcare sector continues to grow based on demographic changes in Canada and represents approximately 11.7% of Canadian GDP;
- The Company's customers, being physicians' offices, clinics, health agencies, hospitals and long-term care facilities are not usually impacted by the business cycle;
- The Company's products, such as billing, patient scheduling and electronic medical records, are mission critical to the running of our customers' enterprises;
- Federal and Provincial Governments continue to make investments in information technology infrastructure thereby creating more demand for the Company's products.

Management remains focused on implementing a business model which will serve to (i) add a recurring revenue streams (ii) broaden the Company's portfolio of products and services, and (iii) geographically diversify the base of customers.

QHR expects to achieve continued growth over the next year based on the Company's market position and strong organic growth along with the addition of selling complementary products to its existing customer base. 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 is well capitalized to support operational growth and fund acquisitions.

5.5 Liquidity and Financial Condition

	December 31, 2013	December 31, 2012
Cash	$ 12,633,884	$ 1,592,896
Working capital[1]	13,568,117	(182,092)
Shareholders' equity	26,975,427	19,664,042

(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 (excluding deferred revenue) from current assets.

The Company ended the year with cash on hand of $12,633,884 compared to $1,592,896 in 2012. The Company had positive working capital of $13,568,117 at December 31, 2013, an increase of $13,750,209 from December 31, 2012, due primarily to cash proceeds from the sale of the EMS division.

Operating Activities

For the year ended December 31, 2013, operating activities resulted in net cash inflows of $2,003,837 compared to $1,456,098 for the same period in 2012. The variance between the cash inflows is driven primarily by changes in working capital year over year.

Investing Activities

For the year ended December 31, 2013, the Company had net cash inflows from investing activities of $13,054,751 compared to net outflows of $2,830,592 in 2012. The extra 2013 cash inflow of $15,885,343 is mainly attributable to the 2013 proceeds from the sale of the EMS division of $14,517,026 and the 2012 outflow for the purchase of the RCM division of $1,382,539.

Financing Activities

For the year ended December 31, 2013, the Company had net financing outflows of $4,144,941 compared to inflows of $874,126 for the same period in 2012. Proceeds from the EMS division sale were used, in part, during the year to repay debt incurred in 2012 related to the purchase of the RCM division.

5.6 Capital Resources

Our capital resources as at December 31, 2013, were in cash and cash equivalents in the amount of $12,633,844. The Company plans to continue funding cash requirements through operations. If required, the Company has credit facilities in place that can be drawn upon as follows:

Operating Line of Credit

The Company has an available operating line of credit with the Royal Bank (the “Bank”) of up to $1.5 million subject to and limited to standard borrowing base calculations and margining against trade account receivable. The operating line of credit is payable upon demand by the Bank. The Company had $Nil outstanding on its operating line at December 31, 2013, (December 31, 2012 - $975,000). The interest rate is at the Bank’s prime rate plus 2.00% per annum. At December 31, 2013, the effective rate on this loan was 5.00% (December 31, 2012 – 5.00%).

Term Loans

The Company secured two $2,000,000 non-revolving term loans from the Bank specifically for acquisitions. The loans are secured by a guarantee and postponement of claims and supported by general security agreements.

During the year the company completely repaid both term loans which were advanced on December 22, 2011 and October 24, 2012.

5.7 Contractual Obligations

The Company’s known contractual obligations at December 31, 2013, are quantified in the following table:

December 31, 2013	Less than 1 year	1 to 4 years	Total
Capital lease obligations (including interest)	$ 522,999	$ 496,422	$ 1,019,421
Operating office leases	1,025,791	3,560,593	4,586,384
Current and long-term debt (including interest)	24,435	-	24,435
Total	$ 1,573,225	$ 4,057,015	$ 5,630,240

5.8 Issued Capital

a) Authorized
   Unlimited common shares without par value
   Unlimited Class “A” Preference shares

b) Issued

Shares issued and outstanding	Number of shares	Amount
December 31, 2011	42,910,621	$ 17,760,334
Share issuance, acquisition of OpenEC	4,480,355	1,558,717
Share issue costs, net of deferred tax of $25,781	-	(77,298)
December 31, 2012	47,390,976	19,241,753
Options exercised	577,186	234,088
April 23, 2014	47,968,162	$ 19,475,841

6.0 OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2013, and April 23, 2014, the Company did not have any off balance sheet arrangements.

7.0 RELATED PARTY TRANSACTIONS

For the year ended December 31, 2013, and 2012 the Company paid compensation to key management personnel and the amounts are recognized as an expense during the reporting period.

8.0 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, capital lease obligations 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, capital lease obligations 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 uncollectable accounts. It is not unusual that government funded contracts can take longer than 90 days to be paid and any such delays reduce cash balances as they occur. Pursuant to their respective terms, net accounts receivable were aged as follows as at December 31, 2013 and December 31, 2012:

Trade and other receivables	**December 31, 2013**	December 31, 2012
Trade receivables	$ 3,764,625	$ 4,346,022
Allowance on trade receivables	(180,300)	(170,792)
Holdback	1,500,000	-
Allowance related to holdback (note 23)	(300,000)	-
Total	$ 4,784,325	$ 4,175,230

Trade receivables	**December 31, 2013**	December 31, 2012
Current	$ 2,147,382	$ 1,937,604
31-60 days	246,663	941,415
61-90 days	20,755	419,414
Greater than 90 days	1,349,825	1,047,589
Allowance for doubtful accounts	(180,300)	(170,792)
Total	$ 3,584,325	$ 4,175,230

Allowance for doubtful accounts	**December 31, 2013**	December 31, 2012
Opening	$ (170,792)	$ (101,639)
Allowance	(30,685)	(118,894)
Recovery	21,177	49,741
	(180,300)	(170,792)
Allowance related to holdback	(300,000)	-
Total	$ (480,300)	$ (170,792)

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, 2013, the Company had cash of $12,633,844, trade accounts and other receivables of $4,784,325 for a total of $17,418,169. The Company had short-term financial obligations from accounts payable and accrued liabilities of $3,881,860 promissory note payable of $83,495, current capital lease obligations of $500,656 and current long-term debt of $22,837 which totals $4,488,848. The liquidity and maturity timing of these assets are adequate for the settlement of the Company's short-term (less than one year) financial obligations.

December 31, 2013	Less than 1 year	1 to 4 years	Total
Accounts payable and accrued liabilities	$ 3,881,860	$ -	$ 3,881,860
Promissory notes payable	83,495	-	83,495
Capital lease obligations (including interest)	522,999	534,748	1,057,747
Current and long-term debt (including interest)	24,435	-	24,435
Total	$ 4,512,789	$ 534,748	$ 5,047,537

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. As at December 31, 2013, approximately 12% (December 31, 2012 - 2%) of revenue is transacted in US dollars and the Company is exposed to foreign exchange risk thereon.

The Company manages currency risk by holding cash in foreign currencies to support forecasted foreign currency denominated liabilities and does not use derivative instruments to reduce its exposure to foreign currency risk. A 1% appreciation (depreciation) in the United States relative to the Canadian dollar would result in a gain (loss) of approximately $26,415 (2012 - $4,293).

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 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 calculations 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, 2013	$ 126,110	$ (126,110)
December 31, 2012	$ 18,948	$ (18,948)

9.0 CRITICAL ACCOUNTING ESTIMATES

9.1 Significant Management Judgment

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses:

Capitalization of internally developed software
Distinguishing the research and development phases of a new customized software project and determining whether the recognition requirements for the capitalization of development costs are met requires judgment. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired.

Recognition of deferred tax assets
The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Recognition of Government contributions
The Company recognizes Government contributions of eligible expenditures when there is reasonable assurance that the Company will comply with the conditions attached to the grant and the grant will be received. The company estimates Government contributions based on labour costs and expenses incurred and its belief of what will ultimately be approved for payment by Government agencies.

Determination of discontinued operations
Management considers the significance of the line of business to the Company in deciding whether to present operations that have been abandoned or sold as discontinued operations in the statement of earnings.

9.2 Estimation Uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Revenue Recognition
Revenue from sales arrangements that include multiple elements is allocated amongst the separately identifiable components based on the relative fair value of each component included in the contract. In order to allocate total revenue to the individual components, management is required to estimate the fair value of each of those components as well as the average customer relationship period. A change in the estimated fair value of any component and/or the average customer relationship period may impact the value assigned to other components which also impacts the timing of revenue recognition over the term of the sales arrangement.

Selling prices of multi-element sales arrangements
Determining selling prices for multi-element arrangements follows a hierarchy of selling prices. If vendor specific objective evidence and third party evidence and third party evidence of selling price do not exist, then management's best estimate of selling price for the deliverable is used. This requires significant judgment in determining the selling price based on an understanding of the customer's use of the related product or service, historical experience and knowledge of the market.

Impairment of long-lived assets
In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit ("CGU") based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets
The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain software and equipment.

Inventories
The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each report date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Business combinations
The Company uses valuation techniques in determining fair values of the various elements of a business combination based on future expected cash flows and a discount rate. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Share-based payment
The Company measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and making assumptions about them.

Allowance for doubtful accounts
The Company 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. Uncertainty relates to the actual collectability of customer balances that can vary from the Company's estimation.

9.3 Accounting Policies

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, *Fourth-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 acquiree'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 year in which they are incurred except for costs related to shares issued in conjunction with the business combination.

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, certain employees and service providers pursuant to an incentive share option plan. The Board of Directors grants such options for years of up to 2-5 years, with vesting years 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 year 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, an increase 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 the cash generating unit ("CGU") 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	Year
Developed technology	3 - 5 years
Contract development	3 years
Customer relationships	1- 10 years
Acquired technology	3 - 7 years
Software	3 years

Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the Consolidated Statement of Earnings and Comprehensive Income.

An impairment loss is reversed if there is an indication that an impairment loss recognized in prior years may no longer exist. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized previously. Such reversal is recognized in the Consolidated Statement of Earnings and Comprehensive Income. An impairment loss with respect to goodwill is never reversed.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU or group of CGU's to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than its carrying amount an impairment loss is recognized to the extent the carrying amount exceeds the recoverable amount. Impairment losses relating to goodwill are not reversed in future years.

Intangible assets with indefinite lives are tested for impairment annually either individually or at the cash generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable from customers for goods and services provided by the Company, net of discounts and sales taxes. Service revenue consists primarily of fees for implementation or customization services, for license and activation of the Company's software as well as hosted services and support, maintenance and professional services. The Company also derives revenue from the sale of hardware and software licenses. The Company's fee model is described for each of the EMR, RCM and EMS divisions below.

Typically, the Company's software license agreements are multiple-element arrangements that also include the provision of maintenance, hosted services, professional services and, in certain cases, hardware. These multiple-element arrangements are assessed to determine if the elements can be treated as separately identifiable components for the purposes of revenue recognition. Consideration from the arrangement is allocated to each of the separately identified components on a relative fair value basis. Revenue is recognized for each component according to the stated revenue recognition policy.

Revenue from the provision of services is recognized when the Company has provided the services to the customer, the collection of the related receivable is deemed probable and the amount of revenue and costs incurred or to be incurred can be measured reliably.

Revenue from hardware and software license sales is recognized when the hardware is shipped or the software is delivered and when all significant contractual obligations have been satisfied. Revenue is recognized upon delivery where there is evidence of an arrangement, the significant risks and rewards of ownership have been transferred, the amount of revenue and associated costs can be measured reliably and it is probable that the associated economic benefits will flow to the entity.

Deferred revenue results from unearned activation fees in the EMR division, advance payments of support and maintenance and payments made in advance of the delivery of implementation or customization services where the Company has not met the criteria for revenue recognition as described above.

EMR division
EMR systems are sold based on monthly and annual subscription agreements with 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 and is recognized as the service is delivered on a monthly basis.

To initiate a new customer on the Company's EMR system, professional services are provided which include custom development and data integration services as well as training services. The Company considers each of these services to represent a separate component. Accordingly, the revenues from these services are recognized when the services within each component have been provided.

In some instances, the Company charges an activation fee to on-board new EMR customers as part of a multiple-element arrangement. When activation fees are charged, the Company allocates this fee to the various components of the arrangement on a relative fair value basis.

RCM division
In Canada, the RCM division derives revenue from the sale of integrated software solutions to exchange information for health plan enrolment, health insurance eligibility and other applications. This division's software solutions consist of the sale of software licenses as well as professional services such as consulting, training and installation. These sales are considered multiple-element arrangements that consist of three separately identifiable components, a software license, professional services to implement the software at a client's site and recurring support and maintenance services.

Revenue from the sale of software licenses is recognized after the completion of the initial warranty period. Professional services to implement the software are recognized as services are rendered and annual maintenance and customer support revenue is paid in advance and recognized on a straight-line basis throughout the year.

In the United States, the RCM division derives revenue from fees collected for processing medical billing claims, determining eligibility, setting up records, and producing patient statements. These revenues are recognized as the services are provided.

EMS division – discontinued operation
The EMS division derives revenue from integrated software applications including payroll, staff scheduling, human resources management, and customized financial software applications. EMS multiple-element contracts consist of three separately identifiable components, a software license, professional services to implement the software at a client's site and recurring support and maintenance services.

Revenue from the sale of software licenses is recognized after the completion of the initial warranty period. Professional services 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.

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 year 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. Deferred 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 deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the year 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 consolidated statement of earnings and comprehensive income.

10.0 CONTINGENCIES

The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. The consequences of these matters are not presently determinable but, in the opinion of management after consulting with legal counsel, the ultimate aggregate liability is not currently expected to have a material effect on our results of operations or financial position.

The Company is a defendant in a claim from November, 2010, 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.

The Company has received a statement of claim for $70,000 related to billings for which the client did not receive payment from a provincial government due to late billings by the client to the provincial plan. The Company does not handle or monitor billings directly for Canadian clients and as such will defend itself vigorously as management believes the claim is without merit. The client has since been paid by the government subsequent to the year-end and as such, the Company expects this claim to be withdrawn.

11.0 BUSINESS RISKS AND UNCERTAINTIES

Investors should carefully consider the risks and uncertainties described in its audited consolidated financial statements for the period ended December 31, 2013 before making an investment decision. If any of the risks actually occur, our business, financial condition or operating results could be materially harmed. This could cause the trading price of our common shares to decline, and you may lose all or part of your investment.

11.1 Risks Associated with Financial Results

Our inability to generate sufficient cash flows from our operations may affect our ability to continue as a going concern**.** Our consolidated financial statements have been prepared on a going concern basis, which presumes the realization of assets and the settlement of liabilities in the normal course of operations. The application of the going concern basis is dependent upon us having sufficient available cash resources and achieving profitable operations to generate sufficient cash flows to fund continued operations. Should we fail to generate sufficient cash flows from operations, we will require additional financing to remain a going concern.

Our inability to accurately forecast our results from quarter-to-quarter may affect our cash resources and result in wide fluctuations in the market price of our stock. Our operating results have varied on a quarterly basis in the past and may fluctuate significantly in the future as a result of a variety of factors, many of which are described below. Due to these and other factors, most of which are outside of our control, our quarterly revenues and operating results are difficult to forecast. As a result, we may not be able to accurately predict our necessary cash expenditures during each quarter or obtain financing in a timely manner to cover any shortfalls. We also believe that period-to-period comparisons of our operating results may not be meaningful and one should not rely on any such comparisons as an indication of our future performance.

11.2 Risks Associated with Business and Operations

Our exposure to business and operation risks includes but is not limited to the following:

We recognize the threats posed by operating in an uncertain global economic environment. The uncertain global economy and financial markets continue to limit overall visibility to end markets. This uncertainty may continue to impact our industry, resulting in lower demand for some of our products. This environment can pose significant risk to our business by impacting demand for our customers' products, the financial condition of our customers or suppliers, as well as the level of customer consolidations. A deterioration in economic environment may accelerate the effect of the various risk factors described in this MD&A, as well as result in other unforeseen events that will impact our business and financial condition.

To succeed, we must be able to control spending and prudently allocate financial resources to optimize value. To drive sales, our products must meet the needs of existing and potential customers and be competitively priced; additional judgment will need to be exercised if the granting of credit to customers is required to close the transaction. In view of the current difficulty, both in obtaining credit and accessing the capital markets, stewardship of cash continues to be critical to our success.

We cannot be sure we will be able to identify market trends, enhance our existing technologies or develop new technologies in order to effectively compete in the EMR industry. To succeed, we must be able to enhance our existing technologies and develop new technologies and products to meet market requirements. To drive sales, our products must meet the needs of existing and potential customers and be competitively priced. Additionally, there must be sufficient interest in and demand for our products. If we do not develop these new technologies and products in a timely and cost effective manner, or if others develop new technologies ahead of us, we may not achieve profitability in the EMR industry and may not be able to participate in selling these new technologies or products.

We depend on key employees and we cannot be sure that we will be able to keep these employees or hire and train replacements. Our success depends on the skills, experience and performance of our senior management and other key personnel. While we offer competitive compensation packages and stock options to attract key employees, we do not carry key person insurance on these employees. Highly skilled technical employees and management in the communications industry are in demand and the market for such persons is highly competitive. We cannot be sure that we will be able to retain these employees or hire replacements. If we do not successfully retain the key personnel or hire and train replacements, we will be unable to develop the new products and technologies necessary to compete in our markets or to effectively manage our business.

We may encounter difficulties completing or integrating our acquisitions which could adversely affect our operating results. We expect to expand our presence in new end-markets or expand our capabilities, some of which may occur through acquisitions. These transactions may involve acquisitions of entire companies and/or acquisitions of selected assets of companies. Potential difficulties related to our acquisitions include:

- integrating acquired operations, systems and businesses;
- retaining customer, supplier, employee or other business relationships of acquired operations;
- addressing unforeseen liabilities of acquired businesses;
- limited experience with new technologies; and
- not achieving anticipated business volumes.

Any of these factors could prevent us from realizing the anticipated benefits of an acquisition, including additional revenue, operational synergies and economies of scale. Our failure to realize the anticipated benefits of acquisitions could adversely affect our business and operating results. Our failure to support the carrying value of goodwill and intangible assets in periods subsequent to the acquisitions could require write-downs that adversely affect our operating results.

Mergers or other strategic transactions by competitors could weaken our competitive position or reduce our revenue. If one or more of our competitors were to merge or partner with another of our competitors, the change in the competitive landscape could adversely affect our ability to compete effectively. Our competitors may also establish or strengthen co-operative relationships with existing or prospective clients, thereby limiting our ability to promote our products and services. Disruptions in our business caused by these events could reduce our competitiveness and ultimately our revenue.