Condensed Interim Consolidated Financial Statements
(Unaudited) Three Months Ended March 31, 2012

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

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QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2012 AND DECEMBER 31, 2011
(UNAUDITED)

	Notes	**March 31, 2012**	December 31, 2011
ASSETS			
Current Assets			
Cash		$ 1,492,721	$ 2,043,637
Accounts receivable		7,422,569	2,850,538
Inventory		61,079	12,363
Prepaid expenses and deposits		1,052,450	704,332
		10,028,819	5,610,870
Property and equipment	5	1,565,204	1,558,976
Deferred income taxes	12	1,801,063	1,967,242
Goodwill	6	3,921,828	3,921,828
Intangible assets	7	13,741,420	13,944,499
		$ 31,058,334	$ 27,003,415
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		$ 3,699,573	$ 2,633,501
Income tax payable		85,432	85,432
Promissory notes payable		83,495	83,495
Current portion of capital lease obligations	8	414,267	423,168
Current portion of long-term debt	9	890,723	1,780,199
		5,173,490	5,005,795
Deferred revenue		7,028,764	3,889,087
		12,202,254	8,894,882
Capital lease obligations	8	200,060	267,352
Long-term debt	9	772,307	255,187
		13,174,621	9,417,421
EQUITY			
Share capital	10	17,760,334	17,760,334
Contributed surplus	10	1,063,245	1,029,980
Warrants	10	438,300	438,300
Deficit		(1,378,166)	(1,642,620)
		17,883,713	17,585,994
		$ 31,058,334	$ 27,003,415
Commitments	15		
Contingencies	17		

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

On behalf of the Board of Directors,

"Signed"
Director

"Signed"
Director

QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(UNAUDITED)

	Notes	**March 31, 2012**	March 31, 2011
REVENUE		$ 7,393,244	$ 6,481,901
OPERATING EXPENSES			
Cost of goods sold		907,316	469,016
Service costs		3,850,355	2,428,970
Selling and administrative expenses		1,595,129	2,157,750
		6,352,800	5,055,736
Operating profit		1,040,444	1,426,165
Stock-based compensation expense	10	33,265	38,106
Amortization of property and equipment	5	137,433	133,869
Amortization of intangible assets	7	475,193	290,993
Interest expense		52,084	30,231
Gain on assets		(88,426)	-
Loss on foreign exchange		262	4,849
		609,811	498,048
Earnings before income taxes		430,633	928,117
Income taxes	12		
Current (recovery)		-	(206,691)
Deferred		166,179	158,000
		166,179	(48,691)
Net earnings and comprehensive income		$ 264,454	$ 976,808
Basic earnings per share	11	$ 0.01	$ 0.02
Diluted earnings per share	11	$ 0.01	$ 0.02
Basic weighted average number of shares outstanding	11	42,910,621	42,903,510
Diluted weighted average number of shares outstanding	11	43,364,239	43,780,767

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

QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(UNAUDITED)

	Notes	Issued Capital	Contributed Surplus	Warrants	Deficit	Total Equity
January 1, 2012		$ 17,760,334	$ 1,029,980	$ 438,300	$ (1,642,620)	$ 17,585,994
Net earnings for the period		-	-	-	264,454	264,454
Total		17,760,334	1,029,980	438,300	(1,378,166)	17,850,448
Stock based compensation		-	33,265	-	-	33,265
March 31, 2012		$ 17,760,334	$ 1,063,245	$ 438,300	$ (1,378,166)	$ 17,883,713

	Notes	Issued Capital	Contributed Surplus	Warrants	Deficit	Total Equity
January 1, 2011		$ 17,669,668	$ 326,689	$ 1,024,343	$ (3,112,572)	$ 15,908,128
Net earnings for the period		-	-	-	976,808	976,808
Total		17,669,668	326,689	1,024,343	(2,135,764)	16,884,936
Exercise of options		32,500	-	-	-	32,500
Reallocation on exercise of options		14,897	(14,897)	-	-	-
Warrants expired		100,480	-	(100,480)	-	-
Stock based compensation		-	38,106	-	-	38,106
March 31, 2011		$ 17,817,545	$ 349,898	$ 923,863	$ (2,135,764)	$ 16,955,542

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

QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(UNAUDITED)

	March 31, 2012	March 31, 2011
OPERATING ACTIVITIES		
Net earnings	$ 264,454	$ 976,808
Items not affecting cash		
Stock-based compensation	33,265	38,106
Amortization of property and equipment	137,433	133,869
Amortization of intangible assets	475,193	290,993
Gain on assets	(88,426)	-
Accretion on long-term debt	10,000	-
Deferred taxes	166,179	158,000
Changes in non-cash operating assets and liabilities		
Accounts receivable	(4,483,605)	(3,817,244)
Inventory	(48,716)	47,015
Prepaid expenses and deposits	(348,118)	(189,647)
Investment tax credit	-	(206,691)
Accounts payable and accrued liabilities	1,066,072	351,554
Deferred revenue	3,139,677	3,447,887
	323,408	1,230,650
INVESTING ACTIVITIES		
Purchase of property and equipment	(118,817)	(41,070)
Acquisition of intangible assets	(272,114)	(114,469)
	(390,931)	(155,539)
FINANCING ACTIVITIES		
Repayment of capital leases	(101,037)	(137,292)
Repayment of long-term debt	(382,356)	-
Proceeds from share issuances, less issue costs	-	32,500
	(483,393)	(104,792)
(Decrease) increase in cash	(550,916)	970,319
Cash - beginning of period	2,043,637	4,621,810
Cash - end of period	$ 1,492,721	$ 5,592,129
Supplemental cash flow disclosure		
Interest paid	$ 52,084	$ 30,231
Non-cash financing and investing activities:		
Capital assets acquired under capital lease obligations	$ 24,844	$ 24,384

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

1. Nature of Business

QHR Technologies Inc. is a public company whose shares are traded on the TSX Venture Exchange (TSXV: QHR) incorporated under the laws of British Columbia, Canada and its registered office is Suite 300 – 1620 Dickson Avenue, Kelowna, British Columbia, Canada. The Company's principal business is the development and delivery of human resource management, payroll, staff scheduling and financial software systems for healthcare organizations, social services and public safety sectors as well as electronic medical records applications and hosting for physicians' medical offices.

2. Basis of Preparation

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2012, including comparatives, are expressed in Canadian dollars and have been prepared in accordance with *International Accounting Standards* ("IAS") 34 "Interim Financial Reporting". These financial statements do not include all of the information required in annual financial statements in accordance with *International Financial Reporting Standards* ("IFRS") and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the *International Accounting Standards Board* ("IASB").

The following new accounting pronouncements have been adopted for these unaudited condensed interim consolidated financial statements for the three months ended March 31, 2012:

a) On January 1, 2012, the Company adopted IFRS 7 *Financial Instruments: Disclosures, Amendment regarding Disclosures on transfer of Financial Assets*. This amendment required the Company to provide disclosures for all transferred financial assets that are not derecognized and for a continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. There was no impact to the financial statements as a result of adopting this Standard.

b) On January 1, 2012, the Company adopted IAS 12 *Income Tax, Amendment regarding Deferred Tax: Recovery of Underlying Asset.* The amendment requires an entity to recognize a deferred tax asset or liability depending on the expected manner of record or settlement of the asset or liability and for which the tax base is not immediately apparent. There was no impact to the financial statements as a result of adopting this Standard.

The term "QHR" or the "Company" are used to mean QHR Technologies Inc. and where the context of the narrative permits, or requires, its subsidiaries.

3. Significant Accounting Policies

The consolidated financial statements have been prepared under the historical cost convention. The Company's principal accounting policies are outlined below:

a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiary, *QHR Software Inc.* and its US subsidiary *Chartcare Inc.* which consists of two operating divisions as follows:

Enterprise Management Software ("EMS") division, and

Electronic Medical Records ("EMR") division.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All significant intercompany balances and transactions have been eliminated.

b) 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.*

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 and acquisition date fair value of existing equity 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.

c) Use of Estimates and Management Judgment

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

The following are significant management judgments, estimates and assumptions in applying the accounting policies of the Company that have the most significant effect on recognition and measurement of assets, liabilities, revenue 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.

Impairment of long-lived assets
In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit 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 collectivity of customer balances that can vary from the Company's estimation.

d) Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, senior officers, employees and service providers pursuant to an incentive share option plan described in note 10. The Board of Directors grants such options for periods of up to 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.

e) Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid interest bearing term deposits that are readily convertible to known amounts of cash with terms to maturity of up to 3 months at the date of purchase. The cash and cash equivalents act as the Company's primary source of cash and fluctuate directly as a result of its cash flows from operating, investing and financing activities.

f) 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.

g) Inventories

Computer hardware and supplies inventory is stated at the lower of cost, determined on a first in – first out basis, and net realizable value.

h) Prepaid Expenses and Deposits

Included in short-term prepaid expenses and deposits are prepayments related to materials, insurance premiums and other deposits required in the normal course of business which are less than one year.

i) Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Amortization of property and equipment is recorded on a straight-line basis at the following annual rates, which approximate the useful lives of the assets:

Assets	Period
Furniture and fixtures	10 years
Office equipment	5 years
Computer hardware	3 – 4 years
Leasehold improvements	Lesser of 5 – 10 years or lease term

When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. When a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the Consolidated Statement of Earnings and Comprehensive Income as incurred.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if applicable. The Company has elected to choose the cost method of accounting for each class of property and equipment as outlined under IAS 16, *Property, Plant and Equipment*.

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

j) 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 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

k) 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 cash-generating unit’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 cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit 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 periods 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 cash-generating unit 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 periods.

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.

l) Deferred Revenue

Revenue that has been paid for by customers but will qualify for recognition within the next year under the Company's policies is reflected as deferred revenue. Amounts billed in advance of providing the related service, where the Company has the contractual right to bill for and collect these amounts are also reflected as deferred revenue. Included in deferred revenue are amounts related to installation, training, extended warranty, and post contract support associated with the sale of the Company's products.

m) Financial Instruments

Financial assets

Financial assets are classified into one of four categories:

- financial assets at fair value through profit or loss ("FVTPL"),
- held-to-maturity investments,
- loans and receivables, and
- available for sale financial assets.

The Company determines the classification of its financial assets at initial recognition, depending on the nature and purpose of the financial asset.

All financial assets are recognized initially at fair value plus directly attributable transaction costs except for those carried at fair value through profit or loss which are measured initially at fair value.

The Company's financial assets include cash and receivables.

The subsequent measurement of financial assets depends on their classification as follows:

i. Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is held for trading or is designated upon initial recognition as FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term, it is part of an identified portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking or it is a derivative that is not designated as an effective hedging instrument.

Financial assets classified as FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in the Consolidated Statement of Earnings and Comprehensive Income.

ii. Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method. The losses arising from impairment are recognized in the Consolidated Statement of Earnings and Comprehensive Income.

The Company has not designated any financial assets as held-to-maturity investments.

iii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized costs using the effective interest rate method. The impairment loss of receivables is based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified. The losses arising from impairment are recognized in the Consolidated Statement of Earnings and Comprehensive Income. Interest income is recognized by applying the effective interest rate method.

The effective interest rate method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

The Company has classified cash and receivables as loans and receivables.

iv. Available-for-sale financial assets

Non-derivative financial assets are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available for sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the Consolidated Statement of Earnings and Comprehensive Income and removed from the available-for-sale reserve.

The Company has not designated any financial assets as available-for-sale assets.

v. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding receivables, is directly reduced by the impairment loss. The carrying amount of receivables is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the Consolidated Statement of Earnings and Comprehensive Income.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value, net of transaction costs except for those carried at fair value through profit or loss which are measured initially at fair value.

The financial liabilities include accounts payables and accrued liabilities, promissory notes payable and long-term debt.

Subsequent measurement of financial liabilities depends on their classification as follows:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative instruments that are not designated as hedging instruments in hedge relationships. Changes in fair value on liabilities classified as FVTPL are recognized in the Consolidated Statement of Earnings and Comprehensive Income.

The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

ii. Other financial liabilities

After initial recognition at fair value less transaction costs, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial liability.

Gains and losses are recognized in the Consolidated Statement of Earnings and Comprehensive Income.

The Company has classified accounts payables and accrued liabilities, promissory notes payable and long-term debt as other financial liabilities.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expired.

n) Private placements Equity Valuation

Shares and warrants issued as private placement units are measured using the residual value method whereby value is first allocated to the liability component based on its fair value with the residual value being attributed to the equity units. The fair value of the warrant is determined using the Black-Scholes Option Pricing Model.

All warrants are exercisable only in the Company’s functional currency. Upon exercise of the warrant, the fair value of the warrant at the date of exercise is transferred to share capital.

o) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Consolidated Statement of Earnings and Comprehensive Income, net of any reimbursement.

p) 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, cost and the stage for completion of services 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 ongoing use 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.

q) Research and Development Costs

The Company incurs costs to research and develop its proprietary software products to be sold, licensed or otherwise marketed. Research costs are expensed as incurred. Development costs are expensed as incurred unless a project meets certain criteria for capitalization and amortization. In this case the development costs are capitalized and amortized over the estimated useful life of the software product developed. Amortization of capitalized development costs commences when development of the software is complete and the product is available for sale to customers.

r) Investment Tax Credits

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

s) 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.

t) Earnings per Share

Basic earnings per share are computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is computed similarly to basic earnings per shares, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants at the beginning of the reporting period, if dilutive. The number of additional shares is calculated assuming that outstanding stock options and warrants were exercised and the proceeds from such exercises were used to repurchase common shares at the average market price during the reporting period. Stock options and warrants are dilutive when the market price of the common shares at the end of the period exceeds the exercise price of the options and warrants and when the Company generates income from operations.

u) Foreign Currency Translation

The Company's consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange prevailing at the reporting date.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in the Consolidated Statement of Earnings and Comprehensive Income.

v) Segmented Reporting

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 targeted 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.

w) Future Accounting Pronouncements

All accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transition to IFRS. The following new accounting pronouncements have been issued but are not effective and may have an impact on the Company:

The Company will be required to adopt IFRS 10 *Consolidated Financial Statements* effective January 1, 2013, with earlier application permitted. IFRS 10 replaces the consolidation requirements in IAS 27 *Consolidated and Separate Financial Statements* and interpretation SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 provides a revised definition of control and related application guidance so that a single control model can be applied to all entities. IFRS also enhances disclosures about consolidated and unconsolidated entities to be published in a separate comprehensive disclosure standard related to involvement in other entities. The Company has not early adopted this standard and is currently assessing the impact that this standard will have on the consolidated financial statements.

The Company will be required to adopt IFRS 13, *Fair Value Measurement* effective January 1, 2013, with earlier application permitted. IFRS 13 sets out a single framework for measuring fair value and requires disclosures about fair value measurements. It does not determine when an asset, a liability or an entity's own equity instruments is measured at fair value. But, the measurement and disclosure requirements for IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The Company has not early adopted this standard and is currently assessing the impact that this standard will have on the consolidated financial statements.

The Company will be required to adopt the amendments to IAS 1 *Financial Statement Presentation* effective January 1, 2013. These amendments improve the presentation of components of other comprehensive income ("OCI"). The amendments to this standard do not change the nature of the items that are currently recognized in OCI, but require presentational changes. The Company has not early adopted this standard and is currently assessing the impact that this standard will have on the consolidated financial statements.

The Company will be required to adopt IFRS 9, *Financial Instruments* effective January 1, 2015 with earlier application permitted. This is a result of the first phase of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 has also been amended not to require the restatement of comparative period financial statements for the initial application of the classification and measuring requirements of IFRS 9, but instead requires modified disclosures on transition to IFRS 9. The Company has not early adopted this standard and is currently assessing the impact that this standard will have on the consolidated financial statements.

4. 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.

The fair value of long-term debt bearing interest at a variable rate approximates its carrying value.

March 31, 2012	Carrying amount	Fair Market Value
Cash and receivables	$ 8,915,290	$ 8,915,290
Other financial liabilities	$ 5,446,098	$ 5,446,098

December 31, 2011	Carrying amount	Fair Market Value
Cash and receivables	$ 4,894,175	$ 4,894,175
Other financial liabilities	$ 4,752,382	$ 4,752,382

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 as at March 31, 2012 and December 31, 2011:

Accounts Receivable	**March 31, 2012**	December 31, 2011
Current	$ 5,227,994	$ 992,387
31-60 days	1,081,489	1,017,317
61-90 days	388,499	276,293
Greater than 90 days	826,226	666,180
Allowance for doubtful accounts	(101,639)	(101,639)
Total	$ 7,422,569	$ 2,850,538

Allowance for doubtful accounts	**March 31, 2012**	December 31, 2011
Opening	$ (101,639)	$ (127,072)
Allowance	-	(111,393)
Recovery	-	136,826
Total	$ (101,639)	$ (101,639)

The Company may also have credit risk relating to cash, which it manages by dealing with large chartered banks in Canada and investing in highly liquid investments. The Company's objective is to minimize its exposure to credit risk in order to prevent losses on financial assets by placing its investments in highly liquid investments such as guaranteed investment funds. The Company's cash carrying value as at March 31, 2012 totaled $1,492,721 (December 31, 2011 - $2,043,637) and accounts receivable of $7,422,569 (December 31, 2011 - $2,850,538), representing the maximum exposure to credit risk of these financial assets.

Liquidity Risk

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

As at March 31, 2012, the Company had cash of $1,492,721 and accounts receivables of $7,422,569 for a total of $8,915,290. The Company had short-term financial obligations from its accounts payable and accrued liabilities of $3,699,573, income tax of $85,432, promissory note of $83,495, current capital lease obligations of $414,267 and current long-term debt of $890,723 which total $5,173,490. 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.

March 31, 2012	Less than 1 year	1 to 3 years	Total
Accounts payables and accrued liabilities	$ 3,699,573	$ -	$ 3,699,573
Income tax payable	85,432	-	85,432
Promissory note payable	83,495	-	83,495
Capital lease obligations (including interest)	441,977	213,442	655,419
Current and long-term debt (including interest)	935,260	810,922	1,746,182
Total	$ 5,245,737	$ 1,024,364	$ 6,270,101

December 31, 2011	Less than 1 year	1 to 3 years	Total
Accounts payables and accrued liabilities	$ 2,633,501	$ -	$ 2,633,501
Income tax payable	85,432	-	85,432
Promissory note payable	83,495	-	83,495
Capital lease obligations (including interest)	457,559	289,080	746,639
Current and long-term debt (including interest)	1,869,209	267,946	2,137,155
Total	$ 5,129,196	$ 557,026	$ 5,686,222

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 March 31, 2012, approximately 1% (December 31, 2011 - 2%) 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 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%
March 31, 2012	$ 16,630	$ (16,630)
December 31, 2011	$ 20,354	$ (20,354)

5. Property and Equipment, net

Cost	Furniture and Fixtures	Office Equipment	Computer Hardware	Leasehold Improvement	Total
December 31, 2011	$ 280,103	$ 247,166	$ 3,136,887	$ 600,668	$ 4,264,824
Additions	7,887	12,045	123,729	-	143,661
March 31, 2012	$ 287,990	$ 259,211	$ 3,260,616	$ 600,668	$ 4,408,485
Accumulated Amortization					
December 31, 2011	$ 96,990	$ 130,567	$ 2,211,044	$ 267,247	$ 2,705,848
Amortization for the period	6,387	8,747	105,973	16,326	137,433
March 31, 2012	$ 103,377	$ 139,314	$ 2,317,017	$ 283,573	$ 2,843,281
Net book value					
December 31, 2011	$ 183,113	$ 116,599	$ 925,843	$ 333,421	$ 1,558,976
March 31, 2012	$ 184,613	$ 119,897	$ 943,599	$ 317,095	$ 1,565,204

The cost and accumulated amortization of capital assets acquired under capital lease obligations at March 31, 2012 are $1,159,242 (December 31, 2011 - $1,159,018) and March 31, 2012 $471,260 (December 31, 2011 - $443,976) respectively.

6. Goodwill

Goodwill is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of an acquired company's workforce and expected cost synergies. Goodwill arising on acquisitions is not deductible for tax purposes. The Company had no changes to Goodwill for the three month period ending March 31, 2012.

	EMS	EMR	Total
December 31, 2011	$ 2,219,089	$ 1,702,739	$ 3,921,828
March 31, 2012	$ 2,219,089	$ 1,702,739	$ 3,921,828

The weighted average cost of capital, as determined using the Capital Asset Pricing Model, is 20.0% for the EMS and 19.1% for the EMR division; which have been used to discount cash flow projections.

EMS revenue and expenses are assumed to increase at rates slightly below the average experienced over the past two years for existing business. These growth rates were selected after examining trends over the past several years in the EMS market and taking into account that this is a relatively stable market with low attrition rates for customers using our products.

EMR revenue is assumed to continue to grow at rates in excess of 10% per year during the forecasted five year period. This reflects our expectations for significant medical practitioner conversion to EMR systems as government mandates and incentives, presently available, will have a significant positive impact in this area. Expenses are assumed to grow at a slower rate than recent experience, reflecting the economies of scale from a larger customer base and the benefits of a recurring revenue model.

A conservative growth rate of 0% was used to extrapolate cash flow projections beyond the five year projection period for both the EMS and EMR divisions.

7. Intangible Assets

Cost	Customer relationships	Acquired technology	Developed technology	Contract development	Software	Total
December 31, 2011	$ 13,200,000	$ 2,724,500	$ 1,887,146	$ 91,897	$ 609,395	$ 18,512,938
Additions	-	-	268,137	-	3,977	272,114
March 31, 2012	$ 13,200,000	$ 2,724,500	$ 2,155,283	$ 91,897	$ 613,372	$ 18,785,052
Accumulated						
December 31, 2011	$ 2,236,570	$ 1,411,919	$ 278,472	$ 89,344	$ 552,134	$ 4,568,439
Amortization for the period	371,625	52,300	37,853	2,553	10,862	475,193
March 31, 2012	$ 2,608,195	$ 1,464,219	$ 316,325	$ 91,897	$ 562,996	$ 5,043,632
Net book value						
December 31, 2011	$ 10,963,430	$ 1,312,581	$ 1,608,674	$ 2,553	$ 57,261	$ 13,944,499
March 31, 2012	$ 10,591,805	$ 1,260,281	$ 1,766,958	$ -	$ 50,376	$ 13,741,420

8. Obligations under Capital Lease

Capital lease obligations are payable in monthly installments with interest at 8% to 14.9% per annum, to January 2015, secured by certain computer equipment, furniture and fixtures.

Minimum lease payments over the next four years amount to:	**March 31, 2012**	December 31, 2011
2012	$ 457,060	$ 477,540
2013	183,216	263,623
2014	14,084	5,476
2015	1,059	-
Total minimum lease payments	655,419	746,639
Lease payment amounts representing interest	(41,092)	(56,119)
Present value of net minimum capital lease payments	614,327	690,520
Current portion of capital lease obligations	(414,267)	(423,168)
	$ 200,060	$ 267,352

9. Long-term debt

	March 31, 2012	December 31, 2011
Royal Bank of Canada non-revolving term loan dated December 22, 2011 repayable in 24 monthly installments of $75,000 plus interest at prime plus 2% per annum. Secured by a general security agreement. Refer to Note 13 regarding covenant requirements. The Company paid $365,000 on the loan during the first quarter. As per the covenant requirement under Note 13(c), the Company paid a further $312,185 down on the loan on April 30, 2012.	$ 1,585,000	$ 1,950,000
Al Stober Construction Ltd. leasehold improvement loan dated September 1, 2011 repayable in 36 monthly installments of $2,929 including principal and interest at 7% per annum. The loan is secured by tenant improvements at 625 – 1620 Dickson Avenue, Kelowna BC.	78,030	85,386
Total long-term debt	1,663,030	2,035,386
Current portion of long-term debt	(890,723)	(1,780,199)
	$ 772,307	$ 255,187

10. 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
March 31, 2012	42,910,621	$	17,760,334

c) Stock-based Compensation Plan

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

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

Share purchase options outstanding are as follows:

Share purchase options outstanding	Number of options	Weighted average exercise price
December 31, 2011	2,851,250	$ 0.53
March 31, 2012	2,851,250	$ 0.53

As at March 31, 2012 a total of $Nil (March 31, 2011 – 125,000) stock purchase options were exercised during the period at a weighted average share value of $Nil (March 31, 2011- $0.70).

The following tables summarize information pertaining to the Company's share purchase options outstanding:

March 31, 2012		Options outstanding		Options exercisable
Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
385,000	1.25	$ 0.25	385,000	$ 0.25
250,000	1.25	0.25	250,000	0.25
486,250	2.50	0.60	486,250	0.60
730,000	0.75	0.60	730,000	0.60
1,000,000	4.50	0.62	250,000	0.62
2,851,250	2.50	$ 0.53	2,101,250	$ 0.50

December 31, 2011		Options outstanding		Options exercisable
Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
385,000	1.58	$ 0.25	385,000	$ 0.25
250,000	1.58	0.25	250,000	0.25
486,250	2.75	0.60	486,250	0.60
730,000	1.00	0.60	730,000	0.60
1,000,000	4.75	0.62	125,000	0.62
2,851,250	2.70	$ 0.53	1,976,250	$ 0.49

The exercise price of all share purchase options granted during the period are equal to the closing market price at the grant date. The Company calculates stock based compensation from the vesting of stock options using the Black Scholes Option Pricing Model and records related compensation expense as follows:

	March 31, 2012	March 31, 2011
Total stock based compensation	$ 33,265	$ 38,106

d) Warrants

The continuity of share purchase warrants is as follows:

	Number of warrants	Value of warrants
December 31, 2011	6,153,850	$ 438,300
March 31, 2012	6,153,850	$ 438,300

e) Contributed Surplus

The continuity of contributed surplus is as follows:

	Amount
December 31, 2011	$ 1,029,980
Stock based compensation	33,265
March 31, 2012	$ 1,063,245

11. Earnings per Share

The reconciliation of the numerators and denominators of the basic and diluted earnings per share calculations was as follows for the three months ended March 31, 2012 and March 31, 2011:

	March 31, 2012	March 31, 2011
Numerator		
Net earnings	$ 264,454	$ 976,808
Denominator		
Weighted average number of shares outstanding used to compute basic EPS	42,910,621	42,903,510
Effect of dilutive securities		
Dilution from exercise of options	453,618	583,418
Dilution from exercise of warrants	-	293,839
Weighted average number of shares outstanding used to compute diluted EPS	43,364,239	43,780,767
Net earnings per share		
Basic	$ 0.01	$ 0.02
Diluted	$ 0.01	$ 0.02

The calculation of assumed exercise of stock options and warrants includes the effect of the dilutive options and warrants. Where their effect was anti-dilutive because their exercise prices were higher than the average market price of the Company's common shares at the end of the periods shown in the table, assumed exercise of those particular stock options and warrants were not included.

12. Income Taxes

a) Income Tax Expense

The income tax expense differs from the expected expense if the Canadian federal and provincial statutory income tax rates were applied to earnings (loss) from operations before income taxes. The principal factors causing these differences are shown below:

	March 31, 2012	March 31, 2011
Earnings before income taxes	$ 430,633	$ 928,117
Statutory tax rate	25.90%	26.50%
Income tax provision using statutory tax rates	112,000	246,000
Effect of statutory rate change	7,569	51,000
Scientific research and experimental development investment tax credit recovery	-	(363,620)
Permanent differences and other	47,610	17,929
Benefit from previously unrecognized tax losses	(1,000)	-
Income tax (recovery)	$ 166,179	$ (48,691)
Current income tax (recovery)	-	(206,691)
Deferred tax	166,179	158,000
	$ 166,179	$ (48,691)

b) Deferred Tax Assets & Liabilities

The tax effect of the temporary differences that give rise to deferred tax assets and liabilities are presented below:

Recognized	**March 31, 2012**	December 31, 2011
Non-capital loss carry forwards	$ 1,806,000	$ 2,020,000
Scientific research and experimental development pool	809,000	809,000
Investment tax credits	165,063	174,242
Share issue costs	135,000	149,000
Tangible assets	147,000	167,000
Intangible assets	(1,261,000)	(1,352,000)
Total recognized net deferred tax asset	$ 1,801,063	$ 1,967,242

Unrecognized	**March 31, 2012**	December 31, 2011
Non-capital loss carry forwards	$ 43,000	$ 44,000
Total unrecognized net deferred tax asset	$ 43,000	$ 44,000

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. In management's opinion, the deferred tax assets will be utilized in the forthcoming years through projected taxable income. Additionally, the Company will take advantage of certain tax benefits available as a result of the amalgamation.

c) Loss Carry-Forwards

At March 31, 2012, the consolidated Company has approximately $7,390,000 of non-capital loss carry forwards available until 2031 (December 31, 2011 – approximately $8,255,000) to reduce future years' income for income tax. The Company employs strategies within the corporate group to effectively utilize the benefits of these tax loss carry-forwards and to minimize income tax payable. The following table reflects tax loss carry-forwards prior to any tax losses that arise upon actual filing of the representative company tax returns:

	March 31, 2012	December 31, 2011
QHR Technologies Inc.	$ -	$ 24,000
QHR Software Inc.	7,220,000	8,061,000
Chartcare Inc.	170,000	170,000
Total	$ 7,390,000	$ 8,255,000

d) Investment Tax Credits on SRED Expenditures

At March 31 2012, the Company and its subsidiaries have accumulated Investment Tax Credits totaling approximately $165,063 (December 31, 2011 – $174,242) which may be applied against future years' taxes.

e) SRED Expenditure Pool Carry Forwards

At March 31 2012 the Company and its subsidiaries have accumulated a SRED expenditure pool of approximately $3,329,098 (December 31, 2011 – approximately $3,568,000) which may be applied against future years' taxable income. The SRED expenditures pool may be carried forward indefinitely.

13. Capital Disclosures

The Company's objectives and policies for managing capital are to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business and to safeguard the Company's ability to support the Company's normal operating requirements on an ongoing basis.

The capital of the Company consists of the items included in the Consolidated Statements of Financial Position in the equity section, the promissory note, operating line of credit (if drawn) and long-term debt. The Company manages its capital structure and makes changes based on economic conditions and the risk characteristics of the Company's assets. Capital for the reporting periods is summarized as follows:

	March 31, 2012	December 31, 2011
Total equity	$ 17,883,713	$ 17,585,994
Total equity	$ 17,883,713	$ 17,585,994
Promissory note	83,495	83,495
Long-term debt	1,663,030	2,035,386
Overall financing	$ 19,630,238	$ 19,704,875

To manage the Company's capital requirements, 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. The Company plans to continue to fund its short-term cash requirements through operations, and if required, the Company has an operating line of credit in place that can be drawn upon.

The Company secured an 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 March 31, 2012, (December 31, 2011 - $Nil). The interest rate is at the Bank's prime rate plus 2.00% per annum. At March 31, 2012, the effective rate on this loan was 5.00% (December 31, 2011 – 5.00%).

As at March 31, 2012 the Company has the following externally imposed capital requirements under its operating line of credit and non-revolving 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.
c) On the non-revolving term loan only, a mandatory repayment equaling 50% of QHR'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.

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 March 31, 2012, the Company is in compliance with all of its bank covenants. The Company paid $312,165 towards the non-revolving term loan on April 30, 2012 as per the covenant in (c) above.

14. Segmented Information

March 31, 2012	EMS	EMR	Total
Revenues	$ 3,545,230	$ 3,848,014	$ 7,393,244
Operating expenses	2,899,948	3,452,852	6,352,800
Operating profit	645,282	395,162	1,040,444
Stock-based compensation	13,971	19,294	33,265
Amortization of property and equipment	33,800	103,633	137,433
Amortization of intangible assets	101,616	373,577	475,193
Interest expense	21,411	30,673	52,084
Gain on assets	-	(88,426)	(88,426)
Loss on foreign exchange	357	(95)	262
Earnings before income taxes	474,127	(43,494)	430,633
Income tax (recovery)	182,966	(16,787)	166,179
Net earnings	$ 291,161	$ (26,707)	$ 264,454
Total assets	$ 13,397,790	$ 17,660,544	$ 31,058,334
Total liabilities	$ 9,076,339	$ 4,098,282	$ 13,174,621
Additions to:			
Capital assets	$ 59,736	$ 83,925	$ 143,661
Intangible assets	$ 224,114	$ 48,000	$ 272,114

March 31, 2011	EMS	EMR	Total
Total revenues	$ 4,005,214	$ 2,476,687	$ 6,481,901
Operating expenses	2,550,769	2,504,967	5,055,736
Operating profit (loss)	1,454,445	(28,280)	1,426,165
Stock-based compensation	23,425	14,681	38,106
Amortization of property and equipment	40,352	93,517	133,869
Amortization of intangible assets	105,860	185,133	290,993
Interest expense	10,600	19,631	30,231
Loss on foreign exchange	4,715	134	4,849
Earnings before income taxes	1,269,493	(341,376)	928,117
Income tax (recovery)	70,116	(118,807)	(48,691)
Net earnings	$ 1,199,377	$ (222,569)	$ 976,808
Total assets	$ 11,847,439	$ 15,468,435	$ 27,315,874
Total liabilities	$ 8,795,037	$ 1,565,295	$ 10,360,332
Additions to:			
Capital assets	$ 24,600	$ 40,854	$ 65,454
Intangible assets	$ 55,198	$ 59,271	$ 114,469

The Company generated revenues from external customers located in the following geographic locations:

	March 31, 2012	March 31, 2011
Canada	$ 7,334,469	$ 6,342,806
United States	58,775	139,095
	$ 7,393,244	$ 6,481,901

15. Commitments

As at March 31, 2012, the Company has various operating leases, primarily office rent, with remaining terms of more than one year. These leases have minimum annual commitments as follows:

2012	$ 696,925
2013	403,920
2014	205,442
2015	90,550
	$ 1,396,837

16. Related Party Transactions

For the three month period ended March 31, 2012 and 2011 the Company paid compensation to key management personnel and the amounts are recognized as an expense during the reporting period.

17. Contingencies

In the normal course of business, from time to time, the Company may become involved in litigation. As at March 31, 2012, 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.