Consolidated Financial Statements
Years Ended December 31, 2011 and 2010

For further information, please contact:
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Independent auditor's report

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To the shareholders of QHR Technologies Inc.:

We have audited the accompanying consolidated financial statements of QHR Technologies Inc., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of earnings and comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Grant Thornton

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of QHR Technologies Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010, in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Vancouver, Canada

April 12, 2012

Chartered accountants

	Notes	**December 31, 2011**	December 31, 2010 (Note 20)	January 1, 2010 (Note 20)
ASSETS				
Current Assets				
Cash		$ 2,043,637	$ 4,621,810	$ 1,037,609
Accounts receivable		2,850,538	2,834,197	2,206,851
Inventory		12,363	70,238	31,390
Prepaid expenses and deposits		704,332	617,660	737,241
Investment tax credit		-	-	579,092
		5,610,870	8,143,905	4,592,183
Accounts receivable		-	-	82,874
Property and equipment	6	1,558,976	1,505,016	1,153,916
Deferred income taxes	13	1,967,242	1,553,000	-
Goodwill	7	3,921,828	2,956,625	2,919,181
Intangible assets	8	13,944,499	8,275,381	8,957,111
		$ 27,003,415	$ 22,433,927	$ 17,705,265
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		$ 2,633,501	$ 3,798,158	$ 3,677,266
Income tax payable		85,432	-	-
Promissory notes payable		83,495	84,016	3,205,174
Current portion of capital lease obligations	9	423,168	438,625	366,659
Current portion of long-term debt	10	1,780,199	-	395,526
		5,005,795	4,320,799	7,644,625
Deferred revenue		3,889,087	1,667,081	2,081,412
		8,894,882	5,987,880	9,726,037
Deferred income taxes	13	-	20,000	-
Capital lease obligations	9	267,352	517,919	374,980
Long-term debt	10	255,187	-	1,518,293
		9,417,421	6,525,799	11,619,310
EQUITY				
Share capital	11	17,760,334	17,669,668	9,559,282
Contributed surplus	11	1,029,980	326,689	168,492
Warrants	11	438,300	1,024,343	477,709
Deficit		(1,642,620)	(3,112,572)	(4,119,528)
		17,585,994	15,908,128	6,085,955
		$ 27,003,415	$ 22,433,927	$ 17,705,265
Commitments	16			
Contingencies	18			
Subsequent event	19			

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

On behalf of the Board of Directors,

"Signed"
Director

"Signed"
Director

	Notes	**2011**	2010
			(Note 20)
REVENUE		$ 23,857,147	$ 19,070,900
OPERATING EXPENSES			
Cost of goods sold		2,094,766	1,945,026
Service costs		9,868,666	7,983,610
Selling and administrative expenses		8,618,656	6,681,652
		20,582,088	16,610,288
Operating profit		3,275,059	2,460,612
Stock-based compensation expense	11	145,414	202,423
Amortization of property and equipment	6	509,413	592,150
Amortization of intangible assets	8	1,481,742	1,227,534
Interest expense		114,423	635,969
Loss on sale of property and equipment		-	46,924
Gain on investment	5	(107,409)	-
Loss on foreign exchange		7,660	5,656
		2,151,243	2,710,656
Earnings (loss) before income taxes		1,123,816	(250,044)
Income taxes	13		
Current		88,106	-
Deferred (recovery)		(434,242)	(1,257,000)
		(346,136)	(1,257,000)
Net earnings and comprehensive income		$ 1,469,952	$ 1,006,956
Basic earnings per share	12	$ 0.03	$ 0.03
Diluted earnings per share	12	$ 0.03	$ 0.03
Basic weighted average number of shares outstanding	12	42,813,470	30,109,936
Diluted weighted average number of shares outstanding	12	43,335,266	30,682,360

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

	Notes	Issued Capital	Contributed Surplus	Warrants	Deficit	Total Equity
December 31, 2010		$ 17,669,668	$ 326,689	$ 1,024,343	$ (3,112,572)	$ 15,908,128
Net earnings for the year		-	-	-	1,469,952	1,469,952
Total		17,669,668	326,689	1,024,343	(1,642,620)	17,378,080
Exercise of options	11	90,666	(28,166)	-	-	62,500
Warrants expired		-	586,043	(586,043)	-	-
Stock based compensation		-	145,414	-	-	145,414
December 31, 2011		$ 17,760,334	$ 1,029,980	$ 438,300	$ (1,642,620)	$ 17,585,994

	Notes	Issued Capital	Contributed Surplus	Warrants	Deficit	Total Equity
January 1, 2010		$ 9,559,282	$ 168,492	$ 477,709	$ (4,119,528)	$ 6,085,955
Net earnings for the year	20	-	-	-	1,006,956	1,006,956
Total		9,559,282	168,492	477,709	(3,112,572)	7,092,911
Options exercised	11	146,976	(44,226)	-	-	102,750
Shares cancelled		(2,500)	-	-	-	(2,500)
For cash pursuant to private placement at $0.65		1,040,000	-	-	-	1,040,000
Less: value of warrants		(100,480)	-	100,480	-	-
Share issue costs for private placement		(10,475)	-	-	-	(10,475)
For cash pursuant to public placement at $0.65		8,000,005	-	-	-	8,000,005
Less: value of warrants		(446,154)	-	446,154	-	-
Share issue costs for public placement		(957,703)	-	-	-	(957,703)
Tax effect of share issue		276,000	-	-	-	276,000
Shares issued with Clinicare acquisition loans		164,717	-	-	-	164,717
Stock based compensation		-	202,423	-	-	202,423
December 31, 2010		$17,669,668	$ 326,689	$ 1,024,343	$ (3,112,572)	$ 15,908,128

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

	2011	2010 (Note 20)
OPERATING ACTIVITIES		
Net earnings	$ 1,469,952	$ 1,006,956
Items not affecting cash		
Amortization of property and equipment	509,413	592,150
Loss on disposal of property and equipment	-	46,924
Gain on investment	(107,409)	-
Amortization of intangible assets	1,481,742	1,227,534
Stock-based compensation	145,414	202,423
Accretion on long-term debt	-	42,284
Deferred taxes	(434,242)	(1,257,000)
Accrued interest and costs on Healthscreen debenture	(190,919)	-
Changes in non-cash operating assets and liabilities		
Accounts receivable	363,659	(544,472)
Inventory	89,450	(38,848)
Prepaid expenses and deposits	(86,672)	119,581
Investment tax credit	-	579,092
Accounts payable and accrued liabilities	(1,284,657)	145,892
Income tax payable	85,432	-
Deferred revenue	542,006	(414,331)
	2,583,169	1,708,185
INVESTING ACTIVITIES		
Purchase of property and equipment	(159,567)	(465,324)
Business acquisitions, net of cash acquired	(5,973,745)	(26,887)
Acquisition of intangible assets	(544,015)	(455,217)
	(6,677,327)	(947,428)
FINANCING ACTIVITIES		
Repayment of capital	(486,380)	(2,356,635)
Proceeds from promissory note	-	500,000
Proceeds from long term debt	1,950,000	-
Repayment of long-term debt	(9,614)	-
Repayment of promissory note	(521)	(3,466,998)
Proceeds from share issuances, less issue costs	62,500	8,147,077
	1,515,985	2,823,444
(Decrease) increase in cash	(2,578,173)	3,584,201
Cash - beginning of period	4,621,810	1,037,609
Cash - end of period	$ 2,043,637	$ 4,621,810
Supplemental cash flow disclosure		
Interest paid	$ 114,423	$ 635,969
Non-cash financing and investing activities:		
Capital assets acquired under capital lease obligations	220,356	615,437
Leaseholds financed by landlord	95,000	115,883
Common Shares issued for settlement of accounts payable	-	25,000
Promissory notes issued in business acquisition	-	10,557
Prepaid expenses acquired through promissory notes	-	98,109
Share capital issued for long term debt	-	164,717

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, 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 and statement of compliance with IFRS

These consolidated financial statements, including comparatives, are expressed in Canadian dollars and have been prepared in accordance with *International Financial Reporting Standards* (IFRS) as issued by the *International Accounting Standards Board* (IASB) and IFRS 1 "First Time Adoption of International Financial Reporting Standards". The Company's first annual consolidated financial statements under IFRS are presented for the year ended December 31, 2011 including comparatives to the previous year. The Company's date of transition to IFRS is January 1, 2010. The explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 20.

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.

The consolidated financial statements for the year ended December 31, 2011, including comparatives, were approved by the Board of Directors on April 12, 2012.

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 subsidiaries, *QHR Software Inc. and its US subsidiary Chartcare Inc.* which consists of two operating divisions as follows:

EMS division, and

EMR division: The EMR division consists of the amalgamated entities of (as further described below) *Optimed Software Corporation, Chartcare Inc.*, *Cloudwerx Data Solutions Inc.* and *2293035 Ontario Limited* which was specifically established for the acquisition of the Healthscreen Solutions Inc. software and EMR assets as further outlined in Note 5. *Cloudwerx Data Solutions Inc*., the Company's hosting division has been fully integrated into the 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) Amalgamation

On December 31, 2011 the Company concluded an amalgamation of *Optimed Software Corporation, Cloudwerx Data Solutions Inc* and *2293035 Ontario Limited* into one operating company as *QHR Software Inc*. As previously disclosed, *Clinicare Corporation* was merged with *Optimed Software Corporation* on March 31, 2011. Refer to note 13 for further income tax related disclosures.

Prior to the amalgamation, the British Columbia corporations of *QHR Software Inc*, *Optimed Software Corporation*, *Cloudwerx Data Solution Inc*., and *2293035 Ontario Limited which was legally continued into the Province of British Columbia*, (collectively "the Amalgamated Subsidiaries") were all wholly owned subsidiaries of QHR Technologies Inc., a British Columbia Corporation. *Chartcare Inc.* was a wholly owned subsidiary of *Optimed Software Corporation* and continues as a US subsidiary of QHR Software Inc.

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

c) Business Combinations and Goodwill

Business combinations that occurred prior to January 1, 2010 were not accounted for in accordance with IFRS 3, *Business Combinations* and IAS 27, *Consolidated and Separate Financial Statements* in accordance with the IFRS 1, *First-time Adoption of International Financial Reporting Standards* exemption discussed further in note 20.

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.

d) 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 units 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.

e) 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 11. The Board of Directors grants such options for periods of up to 2-5 years, with vesting periods determined at its sole discretion and at prices equal to the closing market price on the day the options were granted.

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

f) 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.

g) 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.

h) 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.

i) 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.

j) Property and Equipment

Property and equipment are 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	Lessor 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.

k) 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

l) 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 their 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.

m) 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 in current liabilities as deferred revenue (revenue that can be recognized in one year or less). 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 in current liabilities 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.

n) 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 carries 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.

During the year, the Company classified the investment in debenture as a FVTPL. The debenture was redeemed to purchase Healthscreen software and EMR assets on October 11, 2012 and therefore the Company has not designated any financial assets as FVTPL as at December 31, 2011.

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.

o) 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.

p) 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.

q) 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.

r) 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.

s) Investment Tax Credits

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

t) 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.

u) 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 similar 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.

v) 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.

w) 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 target at medium to large healthcare, public safety and social services organizations. The EMR division provides Electronic Medical Records applications, ASP hosting and data backup services and other technology products and services for use in physicians' medical offices. The Company allocates corporate costs based on the staff count in each division.

x) 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.

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

December 31, 2010	Carrying amount	Fair Market Value
Loans and receivables	$ 7,456,007	$ 7,456,007
Other financial liabilities	3,882,174	3,882,174

January 31, 2010	Carrying amount	Fair Market Value
Loans and receivables	$ 3,327,334	$ 3,327,334
Other financial liabilities	8,796,259	8,796,259

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 December 31, 2011, December 31, 2010 and January 1, 2010:

Accounts Receivable	**December 31, 2011**	December 31, 2010	January 1, 2010
Current	$ 992,387	$ 1,847,295	$ 1,030,640
31-60 days	1,017,317	653,401	486,987
61-90 days	276,293	11,932	239,488
Greater than 90 days	666,180	448,641	521,260
Allowance for doubtful accounts	(101,639)	(127,072)	(71,524)
Total	$ 2,850,538	$ 2,834,197	$ 2,206,851

Allowance for doubtful accounts	**December 31, 2011**	December 31, 2010	January 1, 2010
Opening	$ (127,072)	$ (71,524)	(20,000)
Allowance	(111,393)	(83,396)	(54,686)
Recovery	136,826	27,848	3,162
Total	$ (101,639)	$ (127,072)	$ (71,524)

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 December 31, 2011 totaled $2,043,637 (December 31, 2010 - $4,621,810; January 1, 2010 - $1,037,609); and accounts receivable of $2,850,538 (December 31, 2010 - $2,834,197; January 1, 2010 - $2,206,851), 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 December 31, 2011, the Company had cash of $2,043,637 and accounts receivables of $2,850,538 for a total of $4,894,175 which may not completely cover its short-term financial obligations from its trade and other payables of $2,633,501, promissory note of $83,495, capital lease obligations of $690,520 and current and long-term debt of $2,035,386 which total $5,442,902. The liquidity and maturity timing of these assets are adequate for the settlement of the Company's short-term (less than 1 year) financial obligations.

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

December 31, 2010	Less than 1 year	1 to 3 years	4 to 5 years	Total
Accounts payables and accrued liabilities	$ 3,798,158	$ -	$ -	$ 3,798,158
Promissory note payable	84,016	-	-	84,016
Capital lease obligations	500,590	591,085	-	1,091,675
Total	$ 4,382,764	$ 591,085	$ -	$ 4,973,849

January 1, 2010	Less than 1 year	1 to 3 years	4 to 5 years	Total
Accounts payables and accrued liabilities	$ 3,677,266	$ -	$ -	$ 3,677,266
Promissory note payable	3,205,174	-	-	3,205,174
Capital lease obligations	417,511	426,986	-	844,497
Current and long-term debt	395,526	1,518,293	-	1,913,819
Total	$ 7,695,477	$ 1 ,945,279	$ -	$ 9,640,756

Foreign currency risk

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments will fluctuate due to changes in foreign exchange rates. For the period ending December 31, 2011, approximately 2% (December 31, 2010 - 3%; January 1, 2010 - 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 calculates are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Interest rate sensitivity	Profit and equity for the year	
	-1%	+1%
December 31, 2011	$ 20,354	$ (20,354)
December 31, 2010	-	-
January 1, 2010	$ 19,138	$ (19,138)

5. Business Combinations

Healthscreen Solutions Inc.

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

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

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

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

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

		Fair value recognized on acquisition
Assets		
Accounts receivable	$	300,000
Intangible assets – customer relationships		5,969,000
Intangible assets – acquired technology		532,000
Total assets		6,801,000
Liabilities		
Deferred Revenue		1,680,000
Total liabilities		1,680,000
Total identifiable net assets	$	5,121,000
Goodwill on acquisition		879,000
Purchase consideration transferred	$	6,000,000
Fair value of debenture	$	5,400,000
Cash		600,000
Total purchase consideration	$	6,000,000

The Company paid cash consideration of $600,000, and $5,107,206 for the debenture financed from the Company's cash and cash equivalents. The debenture was re-valued to its fair value on October 11, 2011 as follows:

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

Due to lack of IFRS specific data prior to the acquisition of Healthscreen, pro-forma profit or loss of the combined entity for any periods prior to acquisition cannot be determined reliably.

<u>EMIS Inc.</u>

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

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

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

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

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

Due to lack of IFRS specific data prior to the acquisition of EMIS, pro-forma profit or loss of the combined entity for any periods prior to acquisition cannot be determined reliably.

6. Property and Equipment, net

Cost	Furniture and Fixtures	Office Equipment	Computer Hardware	Leasehold Improvement	Total
January 1, 2010	$ 299,015	$ 179,515	$ 2,136,299	$ 554,147	$ 3,168,976
Additions	116,063	115,313	612,623	151,785	995,784
Disposals	(151,859)	(81,154)	-	(230,296)	(463,309)
December 31, 2010	263,219	213,674	2,748,922	475,636	3,701,451
Additions	16,884	33,492	387,965	125,032	563,373
December 31, 2011	$ 280,103	$ 247,166	$ 3,136,887	$ 600,668	$ 4,264,824

Accumulated Amortization	Furniture and Fixtures	Office Equipment	Computer Hardware	Leasehold Improvements	Total
January 1, 2010	$ 177,308	$ 150,576	$ 1,326,062	$ 361,114	$ 2,015,060
Amortization for the year	23,435	23,919	496,139	48,657	592,150
Disposals	(127,820)	(79,353)	(9,021)	(194,581)	(410,775)
December 31, 2010	72,923	95,142	1,813,180	215,190	2,196,435
Amortization for the year	24,067	35,425	397,864	52,057	509,413
December 31, 2011	$ 96,990	$ 130,567	$ 2,211,044	$ 267,247	$ 2,705,848

Net book value	Furniture and Fixtures	Office Equipment	Computer Hardware	Leasehold Improvements	Total
January 1, 2010	$ 121,707	$ 28,939	$ 810,237	$ 193,033	$ 1,153,916
December 31, 2010	190,296	118,532	935,742	260,446	1,505,016
December 31, 2011	$ 183,113	$ 116,599	$ 925,843	$ 333,421	$ 1,558,976

The cost and accumulated amortization of capital assets acquired under capital lease obligations at December 31, 2011 are $1,159,018 (December 31, 2010 - $1,084,933; January 31, 2010 - $1,255,675) and December 31, 2011 $443,976 (December 31, 2010 - $357,462; January 1, 2010 - $571,292) respectively.

7. 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 year-to-date changes to Goodwill are as follows:

	EMS	EMR	Total
January 1, 2010	$ 2,208,514	$ 710,667	$ 2,919,181
2009 legal related cost adjustment	10,575	16,313	26,888
2009 promissory note adjustment	-	10,556	10,556
December 31, 2010	2,219,089	737,536	2,956,625
Acquired through business combination (EMIS)	-	86,203	86,203
Acquired through business combination (Healthscreen)	-	879,000	879,000
December 31, 2011	$ 2,219,089	$ 1,702,739	$ 3,921,828

Goodwill in the EMS and EMR divisions were adjusted in 2010 to reflect the change in actual legal related costs on 2009 business combinations of $10,575 and $16,313 respectively. In addition, goodwill in the EMR division was adjusted to reflect a change in estimate on certain promissory notes payable of $10,556.

The weighted average cost of capital, as determined using the Capital Asset Pricing Model, is 20.0% for 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 pace 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.

8. Intangible Assets

Cost	Customer relationships	Acquired technology	Developed technology	Contract development	Software	Total
January 1, 2010	$ 7,126,000	$ 2,192,500	$ 864,101	$ 91,897	$ 541,776	$ 10,816,274
Additions	-	-	500,454	-	48,190	548,644
Disposals	-	-	-	-	(2,840)	(2,840)
December 31, 2010	7,126,000	2,192,500	1,364,555	91,897	587,126	11,362,078
Additions	6,074,000	532,000	522,591	-	22,269	7,150,860
December 31, 2011	$ 13,200,000	$ 2,724,500	$ 1,887,146	$ 91,897	$ 609,395	$ 18,512,938

Accumulated amortization	Customer relationships	Acquired technology	Developed technology	Contract development	Software	Total
January 1, 2010	$ 606,703	$ 734,619	$ 79,433	$ 28,080	$ 410,328	$ 1,859,163
Amortization for the year	702,757	332,000	71,558	30,632	90,587	1,227,534
December 31, 2010	1,309,460	1,066,619	150,991	58,712	500,915	3,086,697
Amortization for the year	927,110	345,300	127,481	30,632	51,219	1,481,742
December 31, 2011	$ 2,236,570	$ 1,411,919	$ 278,472	$ 89,344	$ 552,134	$ 4,568,439

Net book value	Customer relationships	Acquired technology	Developed technology	Contract development	Software	Total
January 1, 2010	$ 6,519,297	$ 1,457,881	$ 784,668	$ 63,817	$ 131,448	$ 8,957,111
December 31, 2010	5,816,540	1,125,881	1,213,564	33,185	86,211	8,275,381
December 31, 2011	$ 10,963,430	$ 1,312,581	$ 1,608,674	$ 2,553	$ 57,261	$ 13,944,499

9. Obligations under Capital Lease

Capital lease obligations are payable in monthly installments with interest at 8% to 14.9% per annum, to April 2014, secured by certain computer equipment, furniture and fixtures.

Minimum lease payments over the next five years and thereafter amount to:	**December 31, 2011**	December 31, 2010	January 1, 2010
2010	$ -	$ -	$ 406,667
2011	-	528,885	255,848
2012	477,540	353,878	133,052
2013	263,623	208,912	48,930
2014 and thereafter	5,476	-	-
Total minimum lease payments	746,639	1,091,675	844,497
Lease payment amounts representing interest	56,119	135,131	102,858
Present value of net minimum capital lease payments	690,520	956,544	741,639
Current portion of capital lease obligations	(423,168)	(438,625)	(366,659)
	$ 267,352	$ 517,919	$ 374,980

10. Long-term debt

	December 31, 2011	December 31, 2010	January 1, 2010
Community Futures loan dated August 1, 2007, repayable in 42 monthly installments of $2,045 including interest at 8.5% per annum. Secured by a general security agreement. Loan repaid December 2010.	$ -	$ -	$ 22,730
Harbourfront Holdings, interest only payments at 10% interest per annum, with principal due and payable by April 15, 2010. Secured by a general security agreement. Loan repaid April 2010.	-	-	100,000
UL Capital Corp, principal of $190,000 less $9,000 adjustment to fair value in respect of the interest free portion of the loan, repayable starting December 1, 2008 at $10,000 per month plus interest. The interest rate was 0% per annum until August 31, 2009 and became 8% per annum effective September 1, 2009. Secured by a general security. Loan repaid June 2010.	-	-	70,000
Southern Interior Development Initiative Trust loan dated October 28, 2009, repayable in 48 blended monthly installments of $27,326, including interest at 14% per annum compounded monthly. Secured by a general security. Loan repaid December 2010.	-	-	984,340

Momentum acquisition loans dated January 15, 2009, maturing January 15, 2012, including interest at 12% per annum compounded quarterly, payable monthly and bonus interest of 200 common shares of the Company for each $1,000 of amount loaned. Secured by a general security agreement. Loan repaid December 2010.	-	-	736,749
Royal Bank of Canada non-revolving term loan dated December 22, 2011 repayable in 24 monthly installments of $150,000 plus interest at prime plus 2% per annum. Secured by a general security agreement. Refer to Note 14 regarding covenant requirements.	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.	85,386	-	-
Total long-term debt	2,035,386	-	1,913,819
Current portion of long-term debt	(1,780,199)	-	(395,526)
	$ 255,187	$ -	$ 1,518,293

11. 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
January 1, 2010	28,088,509	$ 9,559,282
Shares issued with Clinicare acquisition loans	253,412	164,717
Shares cancelled	-	(2,500)
For cash pursuant to private placement at $0.65	1,600,000	1,040,000
Less value of warrants	-	(100,480)
Share issue costs for private placement	-	(10,475)
For cash pursuant to public placement at $0.65	12,307,700	8,000,005
Less: value of warrants	-	(446,154)
Share issue costs for public placement	-	(957,703)
Tax effect of share issue	-	276,000
Options exercised	411,000	102,750
Transfer from contributed surplus	-	44,226
December 31, 2010	42,660,621	17,669,668
Options exercised	250,000	62,500
Transfer from contributed surplus	-	28,166
December 31, 2011	42,910,621	$ 17,760,334

c) Public offering

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

d) Private placements

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

e) 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
January 1, 2010	2,071,000	$ 0.37
Options Granted September 16, 2010	750,000	0.60
Forfeited	(286,250)	0.51
Exercised	(411,000)	0.25
December 31, 2010	2,123,750	0.45
Exercised	(250,000)	0.25
Forfeited	(22,500)	0.60
Options granted September 30, 2011	1,000,000	0.62
December 31, 2011	2,851,250	$ 0.53

A total of 250,000 (2010 – 411,000) stock purchase options were exercised during the year at a weighted average share value of $0.68 (December 31, 2010 - $0.72).

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

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

December 31, 2010	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
885,000	2.6	$ 0.25	794,395	$ 0.25
488,750	3.8	0.60	283,750	0.60
750,000	2.0	0.60	187,500	0.60
2,123,750	2.67	$ 0.45	1,265,645	$ 0.38

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:

	December 31, 2011	December 31, 2010	January 1, 2010
Risk-free rate	1.28%	1.18%	1.41% to 2.08%
Expected Volatility	26.4%	63.6%	62.4% to 70.4%
Life of option	60 months	28 months	23 to 60 months
Dividend yield	0.00%	0.00%	0.00%

	2011	2010
Total stock based compensation	$ 145,414	$ 202,423

f) Warrants

The continuity of share purchase warrants is as follows:

	Number of warrants	Value of warrants
January 1, 2010	2,625,000	$ 477,709
Issued pursuant to March 25, 2010 private placement	800,000	100,480
Issued pursuant to December 22, 2010 public offering	6,153,850	446,154
Balance, December 31, 2010	9,578,850	1,024,343
Warrants expired March 16, 2011	(800,000)	(100,480)
Warrants expired June 20, 2011	(2,000,000)	(342,000)
Warrants expires November 30, 2011	(625,000)	(143,563)
Balance, December 31, 2011	6,153,850	$ 438,300

g) Contributed Surplus

The continuity of contributed surplus is as follows:

		Amount
January 1, 2010	$	168,492
Options exercised		(44,226)
Stock based compensation		202,423
December 31, 2010		326,689
Options exercised		(28,166)
Warrants expired March 16, 2011		100,480
Warrants expired June 20, 2011		342,000
Warrants expired November 30, 2011		143,563
Stock based compensation		145,414
Balance, December 31, 2011	$	1,029,980

12. Earnings per Share

The reconciliation of the numerators and denominators of the basic and diluted earnings per share calculations was as follows for the year ended December 31, 2011 and 2010:

	2011	2010
Numerator		
Net earnings	$ 1,469,952	$ 1,006,956
Denominator		
Weighted average number of shares outstanding used to compute basic EPS	42,813,470	30,109,936
Effect of dilutive securities		
Dilution from exercise of options	521,796	572,424
Weighted average number of shares outstanding used to compute diluted EPS	43,335,266	30,682,360
Net earnings per share		
Basic	$ 0.03	$ 0.03
Diluted	$ 0.03	$ 0.03

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.

13. 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:

	2011	2010
Earnings (loss) before income taxes	$ 1,123,816	$ (250,044)
Statutory tax rate	27.40%	28.50%
Income tax provision using statutory tax rates	308,000	(71,000)
Effect of statutory rate change	17,753	656,000
Scientific research and experimental development investment tax credit recovery	(474,082)	-
Permanent differences and other	118,193	(147,000)
Benefit from previously unrecognized tax losses	(316,000)	(1,695,000)
Income tax recovery	$ (346,136)	$ (1,257,000)
Deferred tax recovery	(434,242)	(1,257,000)
Current income tax	88,106	-
	$ (346,136)	$ (1,257,000)

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	**December 31, 2011**	December 31, 2010	January 1, 2010
Non-capital loss carry forwards	$ 2,020,000	$ 1,649,000	$ -
Scientific research and experimental development pool	809,000	837,000	-
Investment tax credits	174,242	-	-
Share issue costs	149,000	206,000	-
Tangible assets	167,000	83,000	-
Intangible assets	(1,352,000)	(1,242,000)	-
Total net deferred tax asset	$ 1,967,242	$ 1,533,000	$ -
Deferred asset	1,967,242	1,553,000	-
Deferred liability	-	(20,000)	-
	$ 1,967,242	$ 1,533,000	$ -

Unrecognized	**December 31, 2011**	December 31, 2010	January 1, 2010
Non-capital loss carry forwards	$ (44,000)	$ (363,339)	(1,805,000)
Scientific research and experimental development pool	-	-	(856,000)
Tangible assets	-	-	(240,000)
Intangible assets	-	3,339	836,000
Total unrecognized net deferred tax asset	$ (44,000)	$ (360,000)	$ (2,065,000)

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.

Loss Carry Forwards

At December 31, 2011, the consolidated Company has approximately $8,255,000 of non-capital loss carry forwards available until 2031 (December 31, 2010 – approximately $7,754,000; January 1, 2010 - $7,519,000), 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:

	December 31, 2011	December 31, 2010	January 1, 2010
EMS	$ 24,000	$ 603,000	$ 410,000
EMR	8,231,000	7,151,000	7,109,000
Total	$ 8,255,000	$ 7,754,000	$ 7,519,000

d) Investment Tax Credits on SRED Expenditures

At December 31, 2011, the Company and its subsidiaries have accumulated Investment Tax Credits totaling approximately $174,242 (December 31, 2010 – Nil; January 1, 2010 - $579,092), which may be applied against future years' taxes.

e) SRED Expenditure Pool Carry Forwards

At December 31, 2011 the Company and its subsidiaries have accumulated a SRED expenditure pool of approximately $3,568,000 (December 31, 2010 – approximately $3,568,000; January 1, 2010 - $3,568,000) which may be applied against future years' taxable income. The SRED expenditures pool may be carried forward indefinitely.

f) Tax Result on Subsidiary Amalgamation

For income tax purposes, the amalgamation referred to in note 3(b) occurred pursuant to subsection 87(1) of the Income Tax Act.

Under the amalgamation, QHR was deemed to have disposed of its shares of the Amalgamated Subsidiaries at cost and acquired new shares of the amalgamated company ("NewAmalCo") at the same combined tax cost; NewAmalCo was subsequently renamed QHR Software Inc.

The Amalgamated Subsidiaries all have a deemed year end for tax purposes immediately prior to the time of the amalgamation, being the end of the day on December 31, 2011.

14. 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:

	December 31, 2011	December 31, 2010	January 1, 2010
Total equity	$ 17,585,994	$ 15,908,128	$ 6,085,955

Total equity	$ 17,585,994	$ 15,908,128	$ 6,085,955
Promissory note	83,495	84,016	3,205,174
Long-term debt	2,035,386	-	1,913,819
Overall financing	$ 19,704,875	$ 15,992,144	$ 11,204,948

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 December 31, 2011, (December 31, 2010 - $Nil; January 1, 2010 - $Nil). The interest rate is at the Bank's prime rate plus 2.00% per annum. At December 31, 2011, the effective rate on this loan was 5.00% (December 31, 2010 – 5.00%; January 1, 2010 – 4.25%).

As at December 31, 2011 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.
d) Outlined in Note 19 as a subsequent event, the non-revolving term loan payment decreased from $150,000 to $75,000 per month.

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.

The Company is in compliance with its bank covenants for all reporting periods.

15. Segmented Information

The Hosting division was presented as a separate operating segment on previous 2011 quarterly financial statements and is now being reported within the EMR division below.

December 31, 2011	EMS	EMR	Total
Revenues from external customers	$ 12,219,586	$ 11,390,465	$ 23,610,051
Interest revenue	22,492	224,604	247,096
Total revenues	12,242,078	11,615,069	23,857,147
Operating expenses	9,469,140	11,112,948	20,582,088
Operating profit	2,772,938	502,121	3,275,059
Stock-based compensation	70,671	74,743	145,414
Amortization of property and equipment	137,959	371,454	509,413
Amortization of intangible assets	436,639	1,045,103	1,481,742
Interest expense	39,909	74,514	114,423
Gain on investment	-	(107,409)	(107,409)
Loss (gain) on foreign exchange	7,808	(148)	7,660
Earnings (loss) before income taxes	2,079,952	(956,136)	1,123,816
Income tax (recovery)	147,636	(493,772)	(346,136)
Net earnings (loss)	$ 1,932,316	$ (462,364)	$ 1,469,952
Total assets	$ 8,781,139	$ 18,222,276	$ 27,003,415
Total liabilities	4,264,133	5,153,288	9,417,421
Additions to:			
Goodwill	$ -	$ 956,203	$ 965,203
Capital assets	146,430	416,943	563,373
Intangible assets	371,139	6,779,721	7,150,860

December 31, 2010	EMS	EMR	Total
Revenues from external customers	$ 9,848,074	$ 9,214,546	$ 19,062,620
Interest revenue	3,687	4,593	8,280
Total revenues	9,851,761	9,219,139	19,070,900
Operating expenses	8,417,379	8,192,909	16,610,288
Operating profit	1,434,382	1,026,230	2,460,612
Stock-based compensation	116,753	85,670	202,423
Amortization of property and equipment	201,431	390,719	592,150
Amortization of intangible assets	450,673	776,861	1,227,534
Interest expense	399,731	236,238	635,969
Loss on sale of capital assets	-	46,924	46,924
(Gain) loss on foreign exchange	(148)	5,804	5,656
Earnings (loss) before income taxes	265,942	(515,986)	(250,044)
Income tax (recovery)	(32,000)	(1,225,000)	(1,257,000)
Net earnings	$ 297,942	$ 709,014	$ 1,006,956
Total assets	$ 11,311,670	$ 11,122,257	$ 22,433,927
Total liabilities	4,355,139	2,170,661	6,525,799
Additions to:			
Goodwill	$ 10,575	$ 26,869	$ 37,444
Capital assets	268,767	727,017	995,784
Intangible assets	276,230	272,414	548,644

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

	2011	2010
Canada	$ 23,473,172	$ 18,535,395
United States	383,975	535,505
	$ 23,857,147	$ 19,070,900

16. Commitments

As of December 31, 2011, 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	$ 902,350
2013	392,865
2014	187,728
2015	90,550
	$ 1,573,493

17. Related Party Transactions

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

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

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

18. Contingencies

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

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

19. Subsequent Event

The Royal Bank non-revolving term loan agreement referenced in Note 10 was amended March 2, 2012 that under the terms of the amended agreement the monthly minimum payment was reduced from $150,000 to $75,000 per month.

20. Transition to IFRS

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

a) Business Combinations

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

Fair Value or Revaluation as Deemed Cost

IFRS 1 allows a first-time adopter to elect that the deemed cost of an item of property and equipment is the item's fair value as at January 1, 2010, or it is a revaluation amount under previous Generally Accepted Accounting Principles (GAAP) that is broadly comparable to fair value.
The Company has elected to adopt the optional election under IFRS 1 and therefore re-stated certain property and equipment as at January 1, 2010 to their fair value. Because of the adoption of this election, depreciation is now based on the deemed cost starting from January 1, 2010, the date from which the Company established the fair value measurement.

b) Share-Based Payments

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

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

c) Estimates

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

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

(i) Property and equipment

Under IFRS:

- Each class of property and equipment may be carried either on the cost basis (costs less accumulated depreciation and any accumulated impairment losses), or at revalued amounts (fair value), less depreciation. The Company has chosen to account for property and equipment under the cost basis.
- Annual depreciation is based on an allocation of the cost of an asset less its residual value over the useful life of the asset, including any idle period.
- Estimated residual value is the amount the entity estimates that it would receive currently for the asset if it were already of the age and in the condition expected at the end of its useful life, and is therefore not increased for changes in prices.
- The impairment is the amount by which the carrying value exceeds the recoverable amount. The recoverable amount of an asset or a CGU is defined in IAS 16, *Property, Plant and Equipment* as the higher of an asset's fair value less cost to sell and its value in use.

Under Canadian GAAP

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

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

(ii) Share-based payment

Under IFRS:

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

Under Canadian GAAP:

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

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

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

(iii) Reclassification

Under IFRS:

- All deferred tax assets and liabilities are classified as non-current.
- Capitalized software is classified as an intangible.

Under Canadian GAAP

- Deferred tax assets and liabilities are classified as current or non-current as appropriate.
- Capitalized software can be can be classified as either as property, plant and equipment or an intangible.

As a result, the Company reclassified its deferred tax asset and liabilities to comply with IFRS guidelines. In addition, the Company's capitalized software was moved from Property, Plant and Equipment to Intangibles.

(iv) Statement of cash flows

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

The Canadian GAAP statements of Changes in Equity at January 1, 2010 and December 31, 2010 have been reconciled to IFRS as follows:

January 1, 2010	Previously reported under Canadian GAAP	Property and equipment	Share-based payment	Reclassification	Total effect of transition to IFRS	Restated under IFRS
EQUITY						
Share capital	$ 9,559,282	$ -	$ -	$ -	$ -	$ 9,559,282
Contributed surplus	134,165	-	34,327	-	34,327	168,492
Warrants	477,709	-	-	-	-	477,709
Deficit	(4,062,753)	(22,448)	(34,327)	-	(56,775)	(4,119,528)
	$ 6,108,403	$ (22,448)	$ -	$ -	$ (22,448)	$ 6,085,955

December 31, 2010	Previously reported under Canadian GAAP	Property and equipment	Share-based payment	Reclassification	Total effect of transition to IFRS	Restated under IFRS
EQUITY						
Share capital	$ 17,669,668	$ -	$ -	$ -	$ -	$ 17,669,668
Contributed surplus	248,796	-	77,893	-	77,893	326,689
Warrants	1,024,343	-	-	-		1,024,343
Deficit	(3,001,231)	(22,448)	(77,893)	(11,000)	(111,341)	(3,112,572)
	$ 15,941,576	$ (22,448)	$ -	$ (11,000)	$ (33,448)	$ 15,908,128

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

	Previously reported under Canadian GAAP	Property and equipment	Share-based payment	Reclassification	Total effect of transition to IFRS	Restated under IFRS
ASSETS		(i)	(ii)	(iii)		
Current assets						
Cash	$ 1,037,609					$ 1,037,609
Accounts Receivable	2,206,851					2,206,851
Inventory	31,390					31,390
Prepaid expenses and deposits	737,241					737,241
Investment tax credit receivable	579,092					579,092
	4,592,183					4,592,183
Accounts receivable	82,874					82,874
Property and equipment	1,307,812	(22,448)		(131,448)	(153,896)	1,153,916
Goodwill	2,919,181					2,919,181
Intangible assets	8,825,663			131,448	131,448	8,957,111
	$ 17,727,713	$ (22,448)	$ -	$ -	$ (22,448)	$ 17,705,265
LIABILITIES						
Current liabilities						
Accounts payable and accrued	$ 3,677,266					$ 3,677,266
Promissory notes payable	3,205,174					3,205,174
Current portion of capital lease obligations	366,659					366,659
Current portion of long-term debt	395,526					395,526
	7,644,625					7,644,625
Deferred revenue	2,081,412					2,081,412
	9,726,037					9,726,037
Capital lease obligations	374,980					374,980
Long-term debt	1,518,293					1,518,293
	11,619,310	-	-	-	-	11,619,310
EQUITY						
Share capital	9,559,282					9,559,282
Contributed surplus	134,165		34,327		34,327	168,492
Warrants	477,709					477,709
Deficit	(4,062,753)	(22,448)	(34,327)		(56,775)	(4,119,528)
	6,108,403	(22,448)	-	-	(22,448)	6,085,955
	$ 17,727,713	$ (22,448)	$ -	$ -	$ (22,448)	$ 17,705,265

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

	Previously reported under Canadian GAAP	Property and equipment	Share-based payment	Reclassification	Total effect of transition to IFRS	Restated under IFRS
ASSETS		(i)	(ii)	(iii)		
Current assets						
Cash	$ 4,621,810					$ 4,621,810
Accounts Receivable	2,834,197					2,834,197
Inventory	70,238					70,238
Prepaid expenses and deposits	617,660					617,660
Deferred taxes	587,000			(587,000)	(587,000)	-
	8,730,905			(587,000)	(587,000)	8,143,905
Property and equipment	1,613,675	(22,448)		(86,211)	(108,659)	1,505,016
Deferred taxes	957,000			596,000	596,000	1,553,000
Goodwill	2,956,625					2,956,625
Intangible assets	8,189,170			86,211	86,211	8,275,381
	$ 22,447,375	$ (22,448)	$ -	$ 9,000	$	$ 22,433,927
LIABILITIES						
Current liabilities						
Accounts payable and accrued	$ 3,798,158					$ 3,798,158
Promissory notes payable	84,016					84,016
Current portion of capital lease	438,625					438,625
	4,320,799					4,320,799
Deferred revenue	1,667,081					1,667,081
	5,987,880					5,987,880
Deferred taxes	-			20,000	20,000	20,000
Capital lease obligations	517,919					517,919
	6,505,799	-	-	20,000	20,000	6,525,799
EQUITY						
Share capital	17,669,668					17,669,668
Contributed surplus	248,796		77,893		77,893	326,689
Warrants	1,024,343					1,024,343
Deficit	(3,001,231)	(22,448)	(77,893)	(11,000)	(111,341)	(3,112,572)
	15,941,576	(22,448)	-	(11,000)	(33,448)	15,908,128
	$ 22,447,375	$ (22,448)	$ -	$ 9,000	$ (13,448)	$ 22,433,927

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

Year ended December 31, 2010	Notes	Previously reported under Canadian GAAP	IFRS adjustments	Restated under IFRS
Revenue		$ 19,070,900		$ 19,070,900
Operating Expenses				
Cost of goods sold		1,945,026		1,945,026
Service costs		7,983,610		7,983,610
Selling and administrative expenses		6,681,652		6,681,652
		16,610,288		16,610,288
Earnings before the following items		2,460,612		2,460,612
Stock-based compensation expense	(ii)	158,857	43,566	202,423
Amortization of property and equipment	(iii)	682,737	(90,587)	592,150
Amortization of intangible assets	(iii)	1,136,947	90,587	1,227,534
Interest expense		635,969		635,969
Loss on sale of capital assets		46,924		46,924
Loss on foreign exchange		5,656		5,656
		2,667,090	43,566	2,710,656
Loss before income taxes		(206,478)	(43,566)	(250,044)
Recovery of income taxes				
Current		-	-	-
Deferred	(iii)	(1,268,000)	11,000	(1,257,000)
		(1,268,000)	11,000	(1,257,000)
Net loss and comprehensive income		$ 1,061,522	$ (54,566)	$ 1,006,956

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

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