Condensed Interim Consolidated Financial Statements

(Unaudited) Three Months Ended March 31, 2015 and 2014

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by, and are the responsibility of, the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditor.

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	Notes	**March 31, 2015**	December 31, 2014
ASSETS			
Current assets			
Cash		$ 9,920,002	$ 12,168,522
Trade and other receivables	4	3,864,479	2,884,658
Income tax receivable		5,301	5,301
Inventory		47,592	30,718
Prepaid expenses and deposits		1,178,788	790,022
Current assets		15,016,162	15,879,221
Property and equipment	6	2,075,879	2,160,639
Deferred income taxes	13	2,406,950	2,180,401
Goodwill	7	3,840,137	3,759,003
Intangible assets	8	10,179,663	10,511,795
Total assets		$ 33,518,791	$ 34,491,059
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	4	$ 2,820,003	$ 3,309,421
Promissory notes payable	9	83,495	83,495
Current portion of capital lease obligations	10	422,131	504,750
Current liabilities		3,325,629	3,897,666
Deferred revenue		2,038,977	2,079,272
Capital lease obligations	10	161,327	239,234
Total liabilities		5,525,933	6,216,172
EQUITY			
Share capital	11	21,502,404	21,261,040
Contributed surplus	11	2,556,679	2,552,623
Accumulated other comprehensive income		603,869	330,038
Retained earnings		3,329,906	4,131,186
Total equity		27,992,858	28,274,887
Total equity and liabilities		$ 33,518,791	$ 34,491,059
Commitments	16		
Contingencies	20		
Subsequent Event	21		

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

On behalf of the Board of Directors,

"Al Hildebrandt"
Director

"Tom Liston"
Director

QHR CORPORATION
CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS AND COMPREHENSIVE (LOSS) INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(UNAUDITED)

Three months ended March 31	Notes	**2015**	2014
REVENUE	15	$ 7,578,411	$ 6,888,073
OPERATING EXPENSES			
Cost of goods sold		738,587	654,755
Service costs		1,921,364	1,621,078
Research and development		900,738	687,721
Sales and marketing		1,282,707	1,227,813
General and administrative		2,910,110	1,815,828
Operating expenses		7,753,506	6,007,195
(Loss) earnings before the following items		(175,095)	880,878
Stock-based compensation expense	11	91,419	140,544
Amortization of property and equipment	6	178,812	204,667
Amortization of intangible assets	8	477,010	402,280
Interest expense		30,532	22,076
Gain on assets		(3,754)	-
(Gain) loss on foreign exchange		(1,867)	9,175
(Loss) earnings from operations before taxes		(947,247)	102,136
Provision for (recovery of) income taxes			
Current	13	-	(1,000)
Deferred	13	(145,967)	6,703
		-	5,703
Net (loss) earnings		(801,280)	96,433
Other comprehensive income			
Exchange differences on translation of operations in currencies other than Canadian dollars		273,831	89,384
Total comprehensive (loss) income for the period		$ (527,449)	$ 185,817
Net (loss) earnings per share			
Basic earnings per share	12	$ (0.02)	$ 0.00
Diluted earnings per share	12	$ (0.02)	$ 0.00
Weighted average number of shares outstanding			
Basic	12	48,892,751	48,211,722
Diluted	12	50,580,807	50,090,314

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

QHR CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(UNAUDITED)

	Issued Capital	Contributed Surplus	Accumulated other Comprehensive Income	Retained Earnings	Total Equity
January 1, 2015	$ 21,261,040	$ 2,552,623	$ 330,038	$ 4,131,186	$ 28,274,887
Net loss for the period	-	-	-	(801,280)	(801,280)
Other comprehensive income	-	-	273,831	-	273,831
Total	21,261,040	2,552,623	603,869	3,329,906	27,747,438
Options exercised	241,364	(87,363)	-	-	154,001
Stock-based compensation	-	91,419	-	-	91,419
March 31, 2015	$ 21,502,404	$ 2,556,679	$ 603,869	$ 3,329,906	$ 27,992,858

	Issued Capital	Contributed Surplus	Accumulated other comprehensive income	Retained Earnings	Total Equity
January 1, 2014	$ 19,475,841	$ 2,376,356	$ 77,892	$ 5,045,338	$ 26,975,427
Net earnings for the period	-	-	-	96,433	96,433
Other comprehensive income	-	-	89,384	-	89,384
Total	19,475,841	2,376,356	167,276	5,141,771	27,161,244
Options exercised	444,563	(152,463)	-	-	292,100
Stock-based compensation	-	140,544	-	-	140,544
March 31, 2014	$ 19,920,404	$ 2,364,437	$ 167,276	$ 5,141,771	$ 27,593,888

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

Three months ended March 31	**2015**	2014
OPERATING ACTIVITIES		
Net (loss) earnings	$ (801,280)	$ 96,433
Items not affecting cash		
Stock-based compensation	91,419	140,544
Amortization of property and equipment	178,812	204,667
Amortization of intangible assets	477,010	402,280
Deferred taxes	(145,967)	6,703
Changes in non-cash operating assets and liabilities		
Accounts receivable	(979,821)	(541,646)
Inventory	(16,874)	(3,295)
Prepaid expenses and deposits	(388,766)	(54,891)
Accounts payable and accrued liabilities	(489,418)	(680,012)
Deferred revenue	(40,295)	(514,809)
Net cash flow from operating activities	(2,115,180)	(944,026)
INVESTING ACTIVITIES		
Purchase of property and equipment	(86,366)	(11,854)
Purchase of intangible assets	(91,545)	(97,953)
Net cash flow from investing activities	(177,911)	(109,807)
FINANCING ACTIVITIES		
Repayment of capital leases	(160,526)	(135,529)
Repayment of long-term debt	-	(8,442)
Exercise of options	154,001	292,100
Net cash flow from financing activities	(6,525)	148,129
Effect of exchange rate changes	51,096	21,804
(Decrease) increase in cash	(2,248,520)	(883,900)
Cash - beginning of period	12,168,522	12,633,844
Cash - end of period	$ 9,920,002	$ 11,749,944

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

1. Nature of Business

QHR Corporation is a public company whose shares are traded on the TSX Venture Exchange (TSXV: QHR) federally incorporated in Canada. The corporate office is located at Suite 300 – 1620 Dickson Avenue, Kelowna, British Columbia, Canada. The Company's principal business consists of the following:

- electronic medical records applications and hosting for physicians' medical offices
- revenue cycle management software solutions and transaction processing services to physicians, hospitals, health plans, insurance brokers and state governments to exchange information for health plan enrolment, eligibility and claims

2. Basis of Preparation and statement of compliance

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015, including comparatives, are expressed in Canadian dollars and have been prepared in accordance with *International Accounting Standards* ("**IAS**") 34 "Interim Financial Reporting". These financial statements do not include all of the information required in annual financial statements in accordance with *International Financial Reporting Standards* ("**IFRS**") and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS as issued by the *International Accounting Standards Board* ("**IASB**").

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

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015, including comparatives, have been approved and authorized for issue by the board of directors on May 27, 2015.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except as explained in the accounting policies set out in note 3. The Company's principal accounting policies are outlined below:

3.1 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly owned Canadian subsidiary, *QHR Technologies Inc.* and its subsidiaries located in the United States of America ("**US**"), *Chartcare Inc.* ("**Chartcare**"), *Softcare Electronic Commerce (U.S.A) Inc. and Softcare Solutions Inc.* ("**SoftCare**"), *(formerly i-Plexus Solutions Inc.)*

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.

3.2 Amalgamation

On December 31, 2014 the Company concluded an amalgamation of *Medeo Corporation* ("**Medeo**") into *QHR Technologies Inc*.

As a result of the amalgamation, the assets and liabilities of the Amalgamated Subsidiaries became assets and liabilities of QHR Technologies 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 Technologies Inc. Additionally, any inter-company debt between the amalgamated subsidiaries and QHR Technologies Inc. were deemed to be settled at cost. The amalgamation was completed on a tax deferred basis.

3.3 Business Combinations and Goodwill

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

Goodwill is initially measured at the excess of the fair value of consideration transferred and amount of non-controlling interest in the acquiree 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.

3.4 Significant Management Judgement

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

Capitalization of internally developed software
Distinguishing the research and development phases of a new customized software project and determining whether the recognition requirements for the capitalization of development costs are met requires judgement. 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 judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

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

3.5 Estimation Uncertainty

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

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

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

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

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

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

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

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

Allowance for doubtful accounts
The Company provides for bad debts by reviewing all specific customer accounts and trends and sets aside a specific amount towards the allowance account based on this analysis. Uncertainty relates to the actual collectability of customer balances that can vary from the Company's estimation.

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

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

3.7 Cash

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

3.8 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.

3.9 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.

3.10 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.

3.11 Property and Equipment

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

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

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

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

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

3.12 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 CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Consolidated Statement of Earnings and Comprehensive Income when the asset is derecognized.

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

Assets	Period
Developed technology	3 – 5 years
Channel partnership	3 years
Customer relationships	1 – 10 years
Acquired technology	3 – 7 years
Software	3 years

3.13 Impairment of Non-Financial Assets

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

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

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

An impairment loss is reversed if there is an indication that an impairment loss recognized in prior 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 CGU or group of CGU's to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount an impairment loss is recognized to the extent the carrying amount exceeds the recoverable amount. Impairment losses relating to goodwill are not reversed in future periods.

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

3.14 Deferred Revenue

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

3.15 Financial Instruments

Financial assets

Financial assets are classified into one of four categories:

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

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

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

The Company's financial assets include cash and trade and other 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.

The Company has not designated any financial assets as FVTPL.

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, trade and other receivables as loans and receivables.

iv. Available-for-sale financial assets

Non-derivative financial assets are designated as available for sale or that 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 Consolidated Statement of Earnings and Comprehensive Income. 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.

3.16 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.

3.17 Revenue Recognition

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

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

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

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

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

EMR systems are sold based on monthly and annual subscription agreements with recurring revenues dependent on the number of physicians and other health professionals using the software at the customer site. The monthly fee is a blended payment for the use of the software, on-going enhancements and technical support and is recognized as the service is delivered on a monthly basis.

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

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

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

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

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

3.18 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.

3.19 Investment Tax Credits

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

3.20 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 period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

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

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the 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.

3.21 Earnings per Share

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

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

3.22 Foreign Currency Translation

Functional and presentation currency
The Company's consolidated financial statements are presented in Canadian dollars. The functional currency of QHR Technologies Inc. is Canadian dollars. Chartcare and SoftCare's functional currency is US dollars.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective currency of the entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in the Consolidated Statements of Earnings and Comprehensive Income.

Non-monetary items that are not re-translated at period end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates as at the date when fair value was determined.

Foreign operations
In the Company's financial statements, all assets, liabilities and transactions of the Company's foreign operations with a functional currency other than Canadian dollars are translated into Canadian dollars upon consolidation.

Each foreign operation of the Company determines its own functional currency and items included in the financial statements of each foreign operation are measured using that functional currency and presented in Canadian dollars.

The functional currency of the Company's foreign operations of US dollars has remained unchanged during the reporting period.

For foreign operations with non-Canadian dollar functional currency, the Company translates assets and liabilities into Canadian dollars using the period-end exchange rates. Goodwill and intangible assets arising from acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into Canadian dollars at the period-end exchange rates. Income and expenses have been translated into Canadian dollars at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

3.23 Comprehensive Income

Comprehensive income is comprised of net earnings for the period and other comprehensive income. Included in accumulated other comprehensive income are unrealized foreign exchange amounts on the translation of certain subsidiaries' and divisions' functional currency to United States dollars.

3.24 Earnings or Loss from Discontinued Operations

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or;
- is a subsidiary acquired exclusively with a view to resale.

Earnings or loss from discontinued operations, including prior year components of earnings or loss, is presented in a single amount in the Consolidated Statements of Earnings and Comprehensive Income. This amount, which comprises the post-tax earnings or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale, is further analyzed in note 21.

The disclosure for the discontinued operation in the prior year relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

3.25 Changes in Accounting Policies and Future Accounting Pronouncements

In 2015, the Company has adopted the following accounting policies:

IFRIC 21 Levies clarifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognized on that date. The same recognition principles apply in the annual and interim financial statements. IFRIC 21 has no material effect on the Company's financial statements as the Company has no significant levies that needs to be paid. IFRIC 21 has been applied retrospectively in accordance with its transitional provisions and had no material effect on the Company's financial statements for any period presented.

Amendments to IAS 32 - *Offsetting Financial Assets and Financial Liabilities* ("**IAS 32**") clarify the application of certain offsetting criteria in IAS 32, including the meaning of 'currently has a legally enforceable right of set-off' and some gross settlement mechanisms may be considered equivalent to net settlement. The amendments have been applied retrospectively in accordance with their transitional provisions. As the Company does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the Company's financial statements for any period presented.

Amendments to IAS 36 - *Recoverable Amount Disclosures for Non-Financial Assets* ("**IAS 36**") clarify that an entity is required to disclose the recoverable amount of an asset or cash generating unit whenever an impairment loss has been recognized or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including additional information about fair value measurement including the applicable level of the fair value hierarchy, a description of any valuation techniques used and key assumptions made and the discount rates used if fair value less costs of disposal is measured using a present value technique. The amendments have been applied retrospectively in accordance with their transitional provisions.

The following new accounting pronouncements have been issued but are not effective and may have an impact on the Company:

IFRS 15 - *Revenue from Contracts with Customers* ("**IFRS 15**"), which will replace IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding whether revenue is to be recognized over time or at a point in time, and improves disclosures about revenue. IFRS 15 provides more detailed guidance on contracts involving the delivery of two or more goods and services as to when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price and when to combine contracts. IFRS 15 also provides guidance on how to treat arrangements with variable pricing, such as performance based pricing and how revenue can be constraint. In addition, IFRS 15 provides guidance on time value of money as to when to adjust a contract price for a financing component. The IASB has an effective date to annual period beginning on or after January 1, 2017.

IFRS 9 - *Financial Instruments* ("**IFRS 9**") will replace IAS 39 - *Financial Instruments: Recognition and Measurement*, and is currently being developed in stages by the IASB. It addresses the classification, measurement and derecognition of financial assets and financial liabilities. 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. In November 2014, the IASB issued an amendment to IFRS 9 which includes a new hedge model that aligns accounting more closely with risk management as well as enhancements to the disclosures about hedge accounting and risk management. 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 IASB has now deferred the effective date to annual period beginning on or after January 1, 2018. Early adoption of the standard is permitted. The Company has not early adopted this standard and is currently assessing the impact that this standard will have on the Company's financial statements.

3.26 Segmented Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocation of recourses and assessing performance of the operating segments and has been identified as the CEO and CFO of the Company.

4. Financial Instruments and Risk Exposures

<u>Fair Value Measurement</u>

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

The carrying value of the Company's financial assets and liabilities, other than long-term debt is considered to be a reasonable approximation of fair value due to their immediate or short term maturity, or their ability for liquidation at comparable amounts.

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

March 31, 2015	Carrying amount	Fair Market Value
Cash and receivables	$ 13,784,481	$ 13,784,481
Other financial liabilities	2,903,498	2,903,498

December 31, 2014	Carrying amount	Fair Market Value
Cash and receivables	$ 15,053,180	$ 15,053,180
Other financial liabilities	3,392,916	3,392,916

Credit Risk

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

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

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

The Company regularly reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectable accounts. Pursuant to their respective terms, net accounts receivable was aged as follows as at March 31, 2015 and December 31, 2014:

Trade receivables	**March 31, 2015**	December 31, 2014
Current	$ 1,934,583	$ 1,573,086
31-60 days	649,202	295,842
61-90 days	427,597	95,039
Greater than 90 days	1,087,864	1,135,956
Allowance for doubtful accounts	(234,767)	(215,265)
Total	$ 3,864,479	$ 2,884,658

Allowance for doubtful accounts	**March 31, 2015**	December 31, 2014
Opening	$ (215,265)	$ (480,300)
Allowance	(36,270)	(204,307)
Recovery	16,768	469,342
Total	$ (234,767)	$ (215,265)

The Company may also have credit risk relating to cash, which it manages by dealing with large chartered banks in Canada and the United States. The Company's cash carrying value as at March 31, 2015 totaled $9,920,002 (December 31, 2014 - $12,168,522) and trade accounts and other receivables $3,864,479 (December 31, 2014 - $2,884,658), representing the maximum exposure to credit risk of these financial assets.

Liquidity Risk

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

As at March 31, 2015, the Company had cash of $9,920,002, trade accounts and other receivables of $3,864,479 for a total of $13,784,481. The Company had short-term financial obligations from accounts payable and accrued liabilities of $2,820,003, promissory note payable of $83,495, current capital lease obligations of $422,131 which total $3,325,629. The liquidity and maturity timing of these assets are adequate for the settlement of the Company's short-term (less than one year) financial obligations.

March 31, 2015	Less than 1 year	1 to 3 years	Total
Accounts payable and accrued liabilities	$ 2,820,003	$ -	$ 2,820,003
Promissory notes payable	83,495	-	83,495
Capital lease obligations (including interest)	456,070	163,581	619,651
Total	$ 3,359,568	$ 163,581	$ 3,523,149

December 31, 2014	Less than 1 year	1 to 4 years	Total
Accounts payable and accrued liabilities	$ 3,309,421	$ -	$ 3,309,421
Promissory notes payable	83,495	-	83,495
Capital lease obligations (including interest)	516,505	242,848	759,353
Total	$ 3,909,421	$ 242,848	$ 4,152,269

Foreign currency risk

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments will fluctuate due to changes in foreign exchange rates. As at March 31, 2015, approximately 9.5% (March 31, 2014 – 10.0%) of revenue is transacted in US dollars and the Company is exposed to foreign exchange risk thereon.

The Company manages currency risk by holding cash in foreign currencies to support forecasted foreign currency denominated liabilities and does not use derivative instruments to reduce its exposure to foreign currency risk. A 1% appreciation (depreciation) in the United States dollar price of Canadian dollars would result in a gain (loss) of approximately $7,194 (March 31, 2014 - $6,888).

Interest Rate Risk

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

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

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

Interest rate sensitivity	Profit and equity for the period	
	-1%	+1%
March 31, 2015	$ 99,200	$ (99,200)
December 31, 2014	$ 121,685	$ (121,685)

5. Business Combinations

Acquisition of Medeo Corporation

On November 24, 2014, QHR Technologies Ltd. concluded the acquisition of all the shares outstanding of Medeo Corporation ("**Medeo**"), a Vancouver based virtual care technology company.

The acquisition of Medeo was considered strategically important to enhance the Company's core EMR platform. The key technology acquired include a secure communications and collaboration technology licensed by health providers to deliver virtual care to their patients through a software as a service ("**SaaS**") model. Services include private video visits, secure messaging and file sharing, e-charging, digital device integration and other virtual care tools.

The identified assets, liabilities and purchase price noted 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 Medeo as at November 24, 2014, are as follows:

	Fair value recognized on acquisition
Assets	
Cash	$ 27,316
Accounts receivable	23,414
Prepaid expenses	44,658
Capital assets, net	214,586
Intangible assets – Software	1,704,475
Deferred tax asset	876,540
Total assets	2,890,989
Liabilities	
Accounts payable and accrued liabilities	240,184
Deferred revenue	27,456
Total liabilities	267,640
Total identifiable net assets	2,623,349
Goodwill on acquisition	681,503
Purchase consideration transferred	$ 3,304,852
Fair value of QHR Corporation common shares	$ 1,054,852
Cash	2,250,000
Total purchase consideration	$ 3,304,852

The Company paid cash consideration of $2,250,000 and 1,000,000 common shares in QHR Corporation (with 10% of the cash consideration and common shares held in escrow for one year) with a value of approximately $1.28 per common share ($1.15 per share, discounted to Fair Market Value) for a total of $1,054,852.

Goodwill represents the expected operational synergies with the acquiree including intangible assets that do not qualify for separate recognition. Goodwill arising on the acquisition of Medeo is not deductible for tax purposes.

The Company applied estimates and assumptions in accounting for the acquisition of Medeo relating to the allocation of the purchase consideration and valuation of identifiable intangible assets. The software is recorded as intangible assets and is being amortized over a period of 7 years.

Due to lack of IFRS specific data prior to the acquisition of Medeo, 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
December 31, 2013	$ 269,450	$ 369,508	$ 3,872,195	$ 632,347	$ 5,143,500
Additions	13,468	83,614	604,117	65,892	767,091
Foreign exchange translation	2,662	630	4,963	-	8,255
December 31, 2014	285,580	453,752	4,481,275	698,239	5,918,846
Additions	24,565	5,426	56,375	-	86,366
Foreign exchange translation	2,991	707	7,540	-	11,238
March 31, 2015	$ 313,136	$ 459,885	$ 4,545,190	$ 698,239	$ 6,016,450
Accumulated Amortization					
December 31, 2013	$ 77,317	$ 126,709	$ 2,383,336	$ 301,062	$ 2,888,424
Amortization for the period	27,269	73,135	684,052	82,808	867,264
Foreign exchange translation	324	217	1,970	8	2,519
December 31, 2014	104,910	200,061	3,069,358	383,878	3,758,207
Amortization for the period	7,240	13,661	142,908	15,003	178,812
Dispositions	-	-	(454)	-	(454)
Foreign exchange translation	515	317	3,174	-	4,006
March 31, 2015	$ 112,665	$ 214,039	$ 3,214,986	$ 398,881	$ 3,940,571
Net book value					
December 31, 2014	$ 180,670	$ 253,691	$ 1,411,917	$ 314,361	$ 2,160,639
March 31, 2015	$ 200,471	$ 245,846	$ 1,330,204	$ 299,358	$ 2,075,879

The cost and accumulated amortization of capital assets acquired under capital lease obligations at March 31, 2015 are $2,347,171 (December 31, 2014 - $2,627,951) and $1,242,041 (December 31, 2014 - $1,397,743) 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.

Goodwill	EMR	Softcare	Medeo	Total
December 31, 2013	$ 1,702,739	$ 1,302,400	$ -	$ 3,005,139
Medeo acquisition (note 5)	-		681,503	681,503
Foreign exchange translation	-	72,361	-	72,361
December 31, 2014	1,702,739	1,374,761	681,503	3,759,003
Foreign exchange translation	-	81,134	-	81,134
March 31, 2015	$ 1,702,739	$ 1,455,895	$ 681,503	$ 3,840,137

8. Intangible Assets

Cost	Customer relationships	Acquired technology	Developed technology	Software	Total
December 31, 2013	$ 11,324,659	$ 3,226,252	$ 1,146,055	$ 540,241	$ 16,237,207
Additions	-	1,704,475	187,921	104,464	1,996,860
Foreign exchange translation	8,135	64,000	-	2,250	74,385
December 31, 2014	11,332,794	4,994,727	1,333,976	646,955	18,308,452
Additions	-	-	59,172	32,373	91,545
Foreign exchange translation	9,122	71,761	-	2,854	83,737
March 31, 2015	$ 11,341,916	$ 5,066,488	$ 1,393,148	$ 682,182	$ 18,483,734
Accumulated Amortization					
December 31, 2013	$ 3,852,030	$ 1,490,721	$ 379,246	$ 423,785	$ 6,145,782
Amortization for the period	1,131,414	330,550	100,561	67,395	1,629,920
Foreign exchange translation	4,235	15,985	-	735	20,955
December 31, 2014	4,987,679	1,837,256	479,807	491,915	7,796,657
Amortization for the period	285,567	135,298	33,470	22,675	477,010
Foreign exchange translation	6,077	23,050	-	1,277	30,404
March 31, 2015	$ 5,279,323	$ 1,995,604	$ 513,277	$ 515,867	$ 8,304,071
Net book value					
December 31, 2014	$ 6,345,115	$ 3,157,471	$ 854,169	$ 155,040	$ 10,511,795
March 31, 2015	$ 6,062,593	$ 3,070,884	$ 879,871	$ 166,315	$ 10,179,663

The Company's acquired technology consists of identifiable intangible assets acquired in a business combination. Identifiable intangible assets acquired in a business combination are recognized separately from goodwill if they meet the definition of intangible asset and if their fair value can be measured reliably. The cost of these intangible assets equals their acquisition date fair value. After initial recognition, identifiable intangible assets acquired in a business combination are recognized at cost less accumulated amortization if they are amortizable, and less accumulated impairment losses.

9. Promissory Notes Payable

As at March 31, 2015, the remaining amount outstanding on the promissory note payable from the purchase of Clinicare Corporation ("**Clinicare**") is $83,495 (December 31, 2014 - $83,495) plus accrued interest of $192,434 (December 31, 2014 - $187,706). As outlined in note 20, the Company is disputing this claim.

10. Obligations under Capital Lease

Capital lease obligations are payable in monthly installments with interest at 1% to 14.9% per annum, to November 2017, secured by certain computer equipment, furniture and fixtures.

Minimum lease payments over the next three years:	**March 31, 2015**	December 31, 2014
2015	$ 456,070	$ 516,505
2016	141,105	205,167
2017	22,476	37,681
Total minimum lease payments	619,651	759,353
Lease payment amounts representing interest	(36,193)	(15,369)
Present value of net minimum capital lease payments	583,458	743,984
Current portion of capital lease obligations	(422,131)	504,750
	$ 161,327	$ 239,234

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
December 31, 2013	47,968,162	$ 19,475,841
Share issuance, acquisition of Medeo	1,000,000	1,054,852
Shares repurchased and cancelled	(48,500)	(56,260)
Options exercised	826,125	786,607
December 31, 2014	49,745,787	21,261,040
Options exercised	200,000	241,364
March 31, 2015	49,945,787	$ 21,502,404

c) Share repurchase

On November 25, 2015, the Company obtained regulatory approval to commence a normal course issuer bid to purchase up to a maximum of 2,000,000 of its common shares, representing approximately 5.7% of the public float as of 34,786,429, through the facilities of the Toronto Stock Exchange ("**TSX**"). The Company's total issued and outstanding common shares were 48,749,912 as of November 25, 2015. The normal course issuer bid commenced on December 1, 2014 and will terminate on November 30, 2015. During the period ended March 31, 2015 a total of Nil (December 31, 2014 – 48,500) common shares were repurchased and cancelled at a cost of $Nil (December 31, 2014- $56,260).

d) 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 directors, officers and certain employees and consultants of the Company. The Board of Directors administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted.

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

Share purchase options outstanding are as follows:

Share purchase options outstanding	Number of options	Weighted average exercise price
December 31, 2013	4,052,500	$ 0.65
Cancelled/Forfeited	(33,125)	0.64
Expired	(60,000)	0.60
Exercised	(826,125)	0.62
Options granted May 8, 2014	100,000	1.27
Options granted August 20, 2014	500,000	1.20
December 31, 2014	3,733,250	0.75
Cancelled/Forfeited	(250,000)	1.20
Exercised	(200,000)	0.77
March 31, 2015	3,283,250	$ 0.71

During the three months ended March 31, 2015 a total of 200,000 (December 31, 2014 – 826,125) stock purchase options were exercised during the period at a weighted average share value of $0.77 (December 31, 2014- $0.62).

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

March 31, 2015	Options outstanding		Options exercisable	
Number of options outstandin	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
390,000	1.50	$ 0.62	390,000	$ 0.62
1,022,500	2.20	$ 0.60	1,022,500	$ 0.60
1,520,750	3.31	$ 0.70	1,127,625	$ 0.70
350,000	4.31	$ 1.22	120,833	$ 1.22
3,283,250	2.86	$ 0.71	2,660,958	$ 0.67

December 31, 2014	Options outstanding		Options exercisable	
Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
390,000	1.75	$ 0.62	390,000	$ 0.62
1,032,500	2.45	$ 0.60	1,032,500	$ 0.60
1,710,750	3.55	$ 0.71	1,121,064	$ 0.71
600,000	4.59	$ 1.21	66,667	$ 1.22
3,733,250	3.22	$ 0.75	2,610,231	$ 0.67

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

	March 31, 2015	March 31, 2014
Total stock based compensation	$ 91,419	$ 140,544

e) Contributed Surplus

The continuity of contributed surplus is as follows:

	Amount
December 31, 2013	$ 2,376,356
Options exercised	(272,220)
Stock based compensation	448,487
December 31, 2014	2,552,623
Options exercised	(87,363)
Stock based compensation	91,419
March 31, 2015	$ 2,556,679

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 three months ended March 31, 2015 and 2014.

Three months ended	**March 31, 2015**	March 31, 2014
Numerator		
Net (loss) earnings	$ (801,280)	$ 96,433
Denominator		
Weighted average number of shares outstanding used to compute basic EPS	48,892,751	48,211,722
Effect of dilutive securities		
Dilution from exercise of options	1,688,056	1,878,592
Weighted average number of shares outstanding used to compute diluted EPS	50,580,807	50,090,314

Net earnings per share		
Basic	$ (0.02)	$ 0.00
Diluted	$ (0.02)	$ 0.00

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 from operations before income taxes. The principal factors causing these differences are shown below:

Year ended	**March 31, 2015**	March 31, 2014
(Loss) earnings before income taxes	$ (947,247)	$ 102,136
Statutory tax rate	26.00%	26.00%
Income tax provision using statutory tax rates	(246,284)	26,555
Permanent differences	40,348	45,659
Benefit from previously unrecognized tax losses	115,182	102
Other	(55,213)	(66,613)
Income tax	$ (145,967)	$ 5,703

Current income tax	$ -	$ (1,000)
Deferred tax (recovery)	(145,967)	6,703
	$ (145,967)	$ 5,703

b) Deferred Tax Assets & Liabilities

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

Recognized	**March 31, 2015**	December 31, 2014
Non-capital loss carry forwards	$ 4,100,051	$ 3,949,618
Scientific research and experimental development pool	839,949	839,949
Investment tax credits	368,101	368,101
Share issue costs	9,584	10,953
Tangible assets	(1,039)	7,076
Intangible assets	(2,909,696)	(2,995,296)
Total recognized net deferred tax asset	$ 2,406,950	$ 2,180,401

Deferred tax asset	$ 2,406,950	$ 2,180,401

Unrecognized	**March 31, 2015**	March 31, 2014
Non-capital loss carry forwards	$ 400,321	$ 269,914

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.

c) Loss Carry-Forwards

At March 31, 2015, the consolidated Company has approximately $15,229,000 of non-capital loss carry forwards available until 2034 (December 31, 2014 – approximately $14,456,000) to reduce future years' taxable income. The Company employs strategies within the corporate group to effectively utilize the benefits of these tax loss carry-forwards and to minimize income tax payable. The following table reflects tax loss carry-forwards prior to any tax losses that arise upon actual filing of the representative company tax returns:

	March 31, 2015	December 31, 2014
QHR Corporation	$ 188,000	$ -
QHR Technologies Inc.	11,180,000	11,165,000
Chartcare Inc.	160,000	160,000
Softcare Electronic Commerce (U.S.A) Inc.	562,000	514,000
Softcare Solutions Inc. (formerly i-Plexus Solutions Inc.)	3,139,000	2,617,000
Total	$ 15,229,000	$ 14,456,000

d) Investment Tax Credits on SRED Expenditures

At March 31, 2015, the Company and its subsidiaries have accumulated Investment Tax Credits totaling approximately $368,101 (December 31, 2014 – $368,101) which may be applied against future years' taxes.

e) SRED Expenditure Pool Carry Forwards

At March 31, 2015, the Company and its subsidiaries have accumulated a SRED expenditure pool of approximately $3,449,140 (December 31, 2014 – approximately $3,449,140) which may be applied against future years' taxable income. The SRED expenditures pool may be carried forward indefinitely.

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, operating line of credit (if drawn) and long-term debt. The Company manages its capital structure and makes changes based on economic conditions and the risk characteristics of the Company's assets. Capital for the reporting periods is summarized as follows:

	March 31, 2015	December 31, 2014
Promissory note	$ 83,495	$ 83,495
Total equity	27,992,858	28,274,887
Overall financing	$ 28,076,353	$ 28,358,382

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 has an available operating line of credit with the Royal Bank (the "Bank") of up to $1.5 million subject to and limited to standard borrowing base calculations and margining against trade accounts receivable. The operating line of credit is payable upon demand by the Bank. The Company had $Nil outstanding on its operating line at March 31, 2015, (December 31, 2014 - $Nil). The interest rate is at the Bank's prime rate plus 0.6% per annum. At March 31, 2015, the effective rate on this loan was 3.6 % (December 31, 2014 – 3.6%).

15. Segmented Information

The Company operates as one reportable segment. Segmentation is based on the internal reporting and organizational structure, taking into account the different risk and income structures of the key products of the Company.

During 2014, management determined that the multiple operating segments of the company did not align itself with the organizational structure that was put in place to facilitate future growth and acquisition strategies. The current period's segmentation of revenues is consistent with the Company's organizational structure, as well as be in a position for future business development efforts and revenue growth. Prior period figures have been reclassified to conform to the segmented note presentation adopted for the current period.

a) Revenues from external customers by geographic segment is as follows:

	March 31, 2015		March 31, 2014	
Canada	$ 6,859,039	90.5%	$ 6,199,292	90.0%
United States	719,372	9.5%	688,781	10.0%
	$ 7,578,411	100.0%	$ 6,888,073	100.0%

b) The Company generated revenues from the following categories:

	March 31, 2015		March 31, 2014	
Recurring	$ 6,202,723	81.8%	$ 5,273,853	76.6%
Professional services	1,375,688	18.2%	1,614,220	23.4%
	$ 7,578,411	100.0%	$ 6,888,073	100.0%

c) The Company's property and equipment, intangible assets and goodwill are located in the following geographic regions:

	March 31, 2015	March 31, 2014
Property and equipment		
Canada	$ 1,995,006	$ 2,096,918
United States	80,873	55,951
	$ 2,075,879	$ 2,152,869
Intangibles		
Canada	$ 9,585,780	$ 9,156,026
United States	593,883	657,333
	$ 10,179,663	$ 9,813,359
Goodwill		
Canada	$ 2,889,101	$ 2,207,598
United States	951,036	828,960
	$ 3,840,137	$ 3,036,558

16. Commitments

As at March 31, 2015, 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:

2015	$ 387,968
2016	308,962
2017	147,275
	$ 844,205

Repayment of these leases assumes that the Company maintains obligated payments over a 12 month consecutive period on the required payment due dates.

17. Supplemental Cash Flow and other Disclosures

	March 31, 2015	March 31, 2014
Non-cash financing and investing activities:		
Capital assets acquired under capital lease obligations	$ -	$ 88,421
Supplementary information:		
Interest paid	$ 30,532	$ 22,076

18. Related Party Transactions

For the three months ended March 31, 2015 and 2014, the Company paid compensation to key management personnel and directors during the reporting period.

	March 31, 2015	March 31, 2014
Short-term employee benefits	$ 491,594	$ 268,044
Share based payments	64,389	91,232
	$ 555,983	$ 359,276

19. Comparative Figures

Certain prior period balances have been reclassified to conform to the financial statement presentation adopted for the current period.

20. Contingencies

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

The Company is a defendant in a claim from November, 2010, relating to a dispute arising from the Company's acquisition of Clinicare Corporation. Management believes the claim is without merit and has responded with a statement of defense and a counter claim for damages. The foundation of the dispute relates to a hold back that the Company made on disbursements of proceeds based on specific commercial attributes not being evident upon closing which were represented by the vendor. Accordingly, the Company is confident that there will be no material financial impact arising from this litigation.

21. Subsequent Event

On April 22, 2015 the Company announced a comprehensive review of its product strategy and market opportunities. The Company has concluded that its Billing Services, Clearinghouse, Tradelink EDI and related service products ("**RCM Assets**") no longer are in alignment with the Company's strategic plan and will be sold or wound down in the near future. In addition, the Company will be completing restructuring activities designed to focus the organization and increase profitability by reducing operating and amortization expenses. The Company anticipates that it will incur a one-time cash outlay in the range of $1.6 to $2.0 million for this restructuring and will also take a non-cash impairment charge for intangibles and goodwill up to a maximum of $2.6 million less any proceeds received from the sale of the RCM assets. This restructuring is expected to achieve $1.6 to $2.0 million in annualized cost savings, beginning in the second half of 2015.