



**British Columbia
Securities Commission**

**QUARTERLY AND YEAR END REPORT
BC FORM 51-901F (previously Form 61)**

Freedom of Information and Protection of Privacy Act: The personal information requested on this form is collected under the authority of and used for the purpose of administering the *Securities Act*. Questions about the collection or use of this information can be directed to the Supervisor, Financial Reporting (604-899-6731), P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2. Toll Free in British Columbia 1-800-373-6393.

INCORPORATED AS PART OF:

 X Schedule A

 Schedule B
(place X in appropriate category)

ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
QHR TECHNOLOGIES INC	December 31, 2001	02/05/21

ISSUER'S ADDRESS **1708 Dolphin Avenue, 4th Floor**

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Kelowna	BC	V1Y 9S4	(250) 717-5266	(250) 763-3122

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
Dave Goertz	Director	(250) 763-3122

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
dgoertz@quadranthr.com	quadranthr.com

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

"Al Hildebrandt"	AL HILDEBRANDT	02/05/21
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

"Dave Goertz"	DAVE GOERTZ	02/05/21
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

(Electronic signatures should be entered in "quotations")

QHR TECHNOLOGIES INC.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

TERRY AMISANO LTD.
KEVIN HANSON. C.A.

AMISANO HANSON
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders,
QHR Technologies Inc.

We have audited the consolidated balance sheets of QHR Technologies Inc. as at December 31, 2001 and 2000 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

Vancouver, Canada
May 13, 2002

"AMISANO HANSON"
Chartered Accountants

QHR TECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2001 and 2000

	<u>ASSETS</u>	<u>2001</u>	<u>2000</u>
Current			
Cash		\$ 21,898	\$ 6,807
Accounts receivable		167,601	52,259
Prepaid expenses and deposits		-	24,782
		<hr/>	<hr/>
		189,499	83,848
Capital assets – Note 4		51,481	99,941
Goodwill – Notes 3 and 5		74,994	224,975
		<hr/>	<hr/>
		\$ 315,974	\$ 408,764
		<hr/> <hr/>	<hr/> <hr/>
	<u>LIABILITIES</u>		
Current			
Bank indebtedness		\$ -	\$ 90,000
Bank loan payable – Note 7		45,000	62,500
Accounts payable – Note 6		656,259	317,388
Promissory note payable – Note 8		78,875	-
Due to related parties – Note 6		166,948	260,129
Deferred revenue		375,024	347,799
		<hr/>	<hr/>
		1,322,106	1,077,816
		<hr/>	<hr/>
	<u>SHAREHOLDERS' DEFICIENCY</u>		
Share capital – Note 9		3,572,634	2,822,634
Contributed surplus		11	11
Deficit		(4,578,777)	(3,491,697)
		<hr/>	<hr/>
		(1,006,132)	(669,052)
		<hr/>	<hr/>
		\$ 315,974	\$ 408,764
		<hr/> <hr/>	<hr/> <hr/>

Nature and Continuation of Operations – Note 1
 Commitments – Note 9
 Subsequent Events – Notes 8 and 13

APPROVED BY THE DIRECTORS:

“Al Hildebrandt”
 _____, Director

 “Dave Goertz”
 _____, Director

SEE ACCOMPANYING NOTES

QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
for the years ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Revenue		
Software license fees	\$ 434,396	\$ 261,571
Software services – Note 6	788,054	427,839
Consulting services and other	128,600	67,841
	<u>1,351,050</u>	<u>757,251</u>
Operating Expenses		
Sales and marketing – Schedule 1	376,528	176,126
Service delivery – Schedule 2	556,464	393,302
Administrative expenses – Schedule 3	578,451	627,997
Product management and development – Schedule 4	774,892	1,489,821
	<u>2,286,335</u>	<u>2,687,246</u>
Loss for the year before other items	(935,285)	(1,929,995)
Other items:		
Amortization of acquisition goodwill	(149,981)	(74,988)
Loss on sale of capital assets	(1,814)	-
Net loss for the year	(1,087,080)	(2,004,983)
Deficit, beginning of the year	(3,491,697)	(1,486,714)
Deficit, end of the year	<u>\$ (4,578,777)</u>	<u>\$ (3,491,697)</u>
Basic and diluted loss per share before amortization of acquisition goodwill	<u>\$ (0.08)</u>	<u>\$ (0.20)</u>
Basic and diluted loss per share	<u>\$ (0.09)</u>	<u>\$ (0.20)</u>

SEE ACCOMPANYING NOTES

QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Operating Activities		
Net loss for the year	\$ (1,087,080)	\$ (2,004,983)
Charge to income not affecting cash:		
Amortization of capital assets	34,658	50,545
Amortization of acquisition of goodwill	149,981	74,988
Loss on sale of capital assets	1,814	-
	<hr/>	<hr/>
	(900,627)	(1,879,450)
Changes in non-cash working capital items related to operations:		
Accounts receivable	(115,342)	68,898
Prepaid expenses and deposits	24,782	(16,569)
Accounts payable	355,452	111,356
	<hr/>	<hr/>
	(635,735)	(1,715,765)
Investing Activities		
Cash acquired from business acquisition	-	118,515
Acquisition of capital assets	(4,593)	(43,172)
	<hr/>	<hr/>
	(4,593)	75,343
Financing Activities		
Bank loan repayment	(17,500)	(75,000)
Promissory note payable	78,875	-
Advance from (to) related parties	(93,181)	17,101
Increase in deferred revenue	27,225	267,568
Proceeds from issuance of common shares	750,000	1,393,600
	<hr/>	<hr/>
	745,419	1,603,269
Increase (decrease) in cash during the year	105,091	(37,153)
Cash deficiency, beginning of the year	(83,193)	(46,040)
Cash (cash deficiency), end of the year	<u>\$ 21,898</u>	<u>\$ (83,193)</u>
Cash (cash deficiency) is comprised of:		
Cash	\$ 21,898	\$ 6,807
Bank indebtedness	-	(90,000)
	<hr/>	<hr/>
	<u>\$ 21,898</u>	<u>\$ (83,193)</u>

Non-cash Transactions – Note 10

SEE ACCOMPANYING NOTES

QHR TECHNOLOGIES INC.
for the years ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Schedule 1 – SALES AND MARKETING		
Amortization	\$ 3,606	\$ 1,236
Consulting fees	3,407	20,558
Office and miscellaneous	24,923	13,525
Product promotion	25,429	20,650
Professional fees	-	747
Rent	7,985	3,413
Staff training and recruitment	5,105	2,218
Travel	48,987	34,800
Wages and benefits	257,086	78,979
	\$ 376,528	\$ 176,126

Schedule 2 – SERVICE DELIVERY

Amortization	\$ 5,867	\$ 5,268
Consulting fees	-	1,030
Office and miscellaneous	50,689	20,997
Professional fees	-	3,481
Rent	18,632	19,808
Staff training and recruitment	934	4,504
Travel	95,809	61,686
Wages and benefits	384,533	276,528
	\$ 556,464	\$ 393,302

Schedule 3 – ADMINISTRATIVE EXPENSES

Accounting and audit fees	\$ 46,747	\$ 36,020
Amortization	8,560	15,300
Consulting fees – Note 6	110,241	100,241
Interest and bank charges	52,544	14,616
Legal fees	36,822	87,001
Management fees – Note 6	179,000	139,000
Office and miscellaneous	54,002	55,082
Rent	5,324	8,447
Staff training and recruitment	-	150
Travel	3,826	15,172
Transfer agent	6,405	7,816
Wages and benefits – Note 6	74,980	149,152
	\$ 578,451	\$ 627,997

.../Cont'd.

QHR TECHNOLOGIES INC.
for the years ended December 31, 2001 and 2000

Continued

	<u>2001</u>	<u>2000</u>
Schedule 4 – PRODUCT MANAGEMENT AND DEVELOPMENT		
Amortization	\$ 16,624	\$ 28,741
Product development fee	100,000	-
Office and miscellaneous	18,579	181,333
Professional fees	-	5,569
Rent	21,294	52,799
Staff training and recruitment	8,428	23,633
Travel	5,788	147,856
Wages and benefits	604,179	1,049,890
	<u>\$ 774,892</u>	<u>\$ 1,489,821</u>

SEE ACCOMPANYING NOTES

QHR TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 1 Nature and Continuance of Operations

The Company is a public company whose shares are traded on the TSX Venture Exchange. The Company's principal business is the development and delivery of fully integrated software technology that will automate human resources management.

These financial statements have been prepared on a going concern basis. As at December 31, 2001, the Company has a working capital deficiency of \$1,132,607 and has accumulated losses of \$4,578,777 since inception. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results may differ from these estimates.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Principles of Consolidation

These consolidated financial statements include the accounts of QHR Technologies Inc. and its wholly-owned subsidiary New Horizon Technologies Inc., a company incorporated under the laws of the Province of British Columbia. This consolidation has been accounted for using the purchase method of accounting, as a reverse take-over (Note 3). All significant inter-company transactions and balances have been eliminated.

b) Capital Assets and Amortization

Capital assets are recorded at cost. The Company provides for amortization using the straight-line method over the following number of years:

Furniture and fixtures	10 years
Office equipment	5 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvements	5 years

c) Goodwill and Amortization

Goodwill is recorded at cost and is amortized using the straight-line method over two years.

d) Fair Market Value of Financial Instruments

The carrying value of cash, accounts receivable, bank indebtedness, bank loan payable, accounts payable, promissory notes payable and due to related parties approximate fair value because of the short maturity of those instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Note 2 Significant Accounting Policies – (cont'd)

e) Revenue Recognition

The Company recognizes software license revenue upon the later of delivery and substantial completion of installation and configuration provided the fee is determinable and collection is assured.

Revenue derived from the sale of support and maintenance service contracts is recognized as revenue on a straight-line basis over the term of the contract. The unearned portion of the contract is shown as deferred revenue. Any portion of the unearned amount that will be realized after 1 year from the balance sheet date is shown as long-term deferred revenue.

f) Development Costs

Development costs related to software products developed for sale are expensed as incurred unless they meet the criteria for deferral under generally accepted accounting principles.

g) Basic and Diluted Loss per Share

Basic earnings per share ("EPS") is calculated by dividing loss applicable to common shareholders by the weighted average number of common shares outstanding for the year. Diluted EPS reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. Due to the losses for the years ended December 31, 2001 and 2000, potentially dilutive securities were excluded from the calculation of diluted EPS, as they were anti-dilutive. Therefore, there was no difference in the calculation of basic and diluted EPS.

h) Stock-based Compensation

The Company has outstanding share purchase options which are described in Note 9. No compensation expense is recognized for this plan when shares or share purchase option are issued. Any consideration paid on exercise of share purchase options or purchase of shares is credited to share capital. If shares or share purchase options are repurchased, the excess of the consideration paid over the carrying amount of the shares or share options cancelled is charged to deficit.

i) Income Taxes

Effective January 1, 2001, the Company retroactively has adopted the asset and liability method of accounting for income taxes, following new standards recommended by the Canadian Institute of Chartered Accountants. The effect of adopting the standards was not considered significant and did not impact amounts reported in prior years. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

Note 3 Business Combination

On June 27, 2000, the Company completed the acquisition of 100% of the issued common shares of New Horizon Technologies Inc. ("NHT"). As consideration, the Company issued 7,380,000 common shares to the existing NHT shareholders. As a result of this transaction, the shareholders of NHT acquired control of the Company and consequently NHT is deemed to be the acquirer. The acquisition has been accounted for using the purchase method of accounting as a reverse take-over and the consolidated financial statements are a continuation of the operations of NHT and not the Company. The operations of the Company are included in the consolidated statement of loss from June 27, 2000, the effective date of the acquisition.

The net assets acquired are as follows:

Total current assets	\$ 199,914
Goodwill	299,963
Total liabilities	(50,862)
	<hr/>
Net assets acquired at assigned fair values	\$ 449,015
	<hr/> <hr/>
Deemed consideration:	
3,291,358 common shares of the Company prior to the acquisition of NHT	\$ 449,015
	<hr/> <hr/>

As described above, the consolidated statements of loss and deficit and cash flows for the year ended December 31, 2000, do not include the results of operations or cash flows of the Company for the period from April 30, 2000 (the former fiscal year end of the Company) to June 27, 2000, the date of the reverse take-over transaction. These results during that period from April 30, 2000 to June 27, 2000 were as follows:

Statement of Loss	
Expenses	
Consulting	\$ 3,822
Finance costs	2,171
Legal fees	64,373
Management fees	5,000
Office costs	107
Transfer agent fees	4,300
	<hr/>
Loss for the period	\$ 79,773
	<hr/> <hr/>

Note 3 Business Combination – (cont'd)

Statement of Cash Flows

Operating Activities

Net loss for the period	\$ (79,773)
Changes in non-cash working capital balances related to operations:	
Accounts receivable	(5,649)
Prepaid expenses	1,915
Accounts payable	(378)
	<u>(83,885)</u>

Investing Activities

Deferred costs	23,800
Promissory note	100,000
	<u>123,800</u>

Financing Activity

Proceeds from shares subscribed	(200,000)
Decrease in cash during the period	(160,085)
Cash, beginning of the period	278,600
Cash, end of the period	<u>\$ 118,515</u>

Note 4 Capital Assets

	<u>2001</u>			<u>2000</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Furniture and fixtures	\$ 22,582	\$ 3,457	\$ 19,125	\$ 40,581
Office equipment	27,274	15,455	11,819	17,210
Computer - hardware	98,940	83,429	15,511	30,365
- software	33,318	29,502	3,816	10,061
Leasehold improvements	2,366	1,156	1,210	1,724
	<u>\$ 184,480</u>	<u>\$ 132,999</u>	<u>\$ 51,481</u>	<u>\$ 99,941</u>

Note 5 Goodwill – Note 3

	<u>2001</u>	<u>2000</u>
Cost	\$ 299,963	\$ 299,963
Less: accumulated amortization	(224,969)	(74,988)
	<u>\$ 74,994</u>	<u>\$ 224,975</u>

Note 6 Related Party Transactions - Notes 7 and 13

During the years ended December 31, 2001 and 2000, the Company charged the following revenues to companies related by virtue of common directors:

	<u>2001</u>	<u>2000</u>
Software services	\$ 1,539	\$ 11,850

During the years ended December 31, 2001 and 2000, the Company incurred the following expenses charged by directors, former directors, officers and private companies with common directors with the Company and a significant shareholder:

	<u>2001</u>	<u>2000</u>
Consulting fees	\$ 16,150	\$ 22,928
Management fees	179,000	139,000
Wages and benefits – administrative expenses	59,715	120,000
	<u>\$ 254,865</u>	<u>\$ 281,928</u>

These revenues and expenses were measured by the exchange amount, which is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

Included in accounts payable at December 31, 2001 is \$23,066 (2000: \$Nil) owing to a director of the Company.

Due to related parties at December 31, 2001 represent amounts owing to companies with common directors and shareholders with respect to unpaid advances, fees and expenses. These amounts are unsecured, non-interest bearing with no specific terms for repayment.

Note 7 Bank Loan Payable

The bank loan is repayable in monthly instalments of \$5,000 for six months and \$15,000 plus accrued interest payable no later than June 30, 2002. This loan bears interest at prime plus 1¼ % per annum and is secured by a general security agreement over the assets of the Company and a personal guarantee of a director of the Company.

Note 8 Promissory Note Payable

The promissory note outstanding at December 31, 2001 in the amount of US\$50,000 (CDN\$78,875) bears interest at 24% per annum, is unsecured and is due on January 31, 2002. This note was repaid subsequent to December 31, 2001.

Note 9 Share Capital – Note 13

a) Authorized:

100,000,000 Common shares without par value

b) <u>Issued:</u>	December 31, 2001		December 31, 2000	
	<u>Number</u>	<u>\$</u>	<u>Number</u>	<u>\$</u>
Balance, beginning of the year	11,950,758	2,822,634	8,430,000	1,050,738
Pursuant to the acquisition of New Horizon Technologies Inc.	-	-	(8,430,000)	-
Less: share issue costs	-	-	7,380,000	449,015
- outstanding common shares of the Company prior to reverse take-over	-	-	-	(70,719)
For cash:			3,291,358	-
- pursuant to the exercise of share purchase options – at \$1.00	-	-	67,400	67,400
- pursuant to a private placement				
- at \$0.75	1,000,001	750,000	-	-
- at \$1.25	-	-	800,000	1,000,000
- at \$1.00	-	-	400,000	400,000
Less: share issue costs	-	-	-	(88,800)
Pursuant to administration fee – at \$1.25	-	-	12,000	15,000
Balance, end of the year	<u>12,950,759</u>	<u>3,572,634</u>	<u>11,950,758</u>	<u>2,822,634</u>

The acquisition of New Horizon Technologies Inc. has been accounted for as a reverse take-over transaction (Note 3). Consequently, pursuant to reverse take-over accounting, the December 31, 2001 amount of share capital is that of New Horizon Technologies Inc. The number of shares issued and outstanding is that of the Company.

c) Escrow:

At December 31, 2001, 6,273,000 shares are held in escrow by the Company's transfer agent. The release of these shares is subject to the direction of the relevant regulatory authorities.

Note 9 Share Capital – Note 13 – (cont'd)

d) Commitments:

Stock-based Compensation Plan

The Company has granted employees and directors common share purchase options. These options are granted with an exercise price equal to the market price of the Company's stock on the date of the grant.

A summary of the status of the stock option plan as of December 31, 2001 and December 31, 2000 and changes during the years ending on those dates is presented below:

	<u>December 31, 2001</u>		<u>December 31, 2000</u>	
	<u>Number of</u>	<u>Weighted</u>	<u>Number of</u>	<u>Weighted</u>
	<u>Shares</u>	<u>Average</u>	<u>Shares</u>	<u>Average</u>
		<u>Exercise</u>		<u>Exercise</u>
		<u>Price</u>		<u>Price</u>
Outstanding at beginning of year	1,032,600	\$1.05	-	-
Granted	-	-	1,100,000	\$1.05
Exercised	-	-	(67,400)	\$1.00
Cancelled	(55,900)	\$1.00	-	-
Options outstanding and exercisable at end of year	<u>976,700</u>	<u>\$1.05</u>	<u>1,032,600</u>	<u>\$1.05</u>

As at December 31, 2001, there are 976,700 director and employee share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Price</u>	<u>Expiry</u>
100,000	\$1.50	September 23, 2002
876,700	\$1.00	June 28, 2005
<u>976,700</u>		

Share Purchase Warrants

At December 31, 2001, the Company had 1,140,000 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
200,000	\$1.25	April 10, 2002
440,000	\$1.50	May 5, 2002
500,000	\$1.00	October 31, 2002
	or \$1.25	October 31, 2003
<u>1,140,000</u>		

Note 10 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows as follows:

During the year ended December 31, 2000, the Company issued 7,380,000 common shares to acquire 100% of New Horizon Technologies Inc. The cost of this transaction was \$449,015. In addition, the Company issued 12,000 common shares as an administration fee to its sponsor.

During the year ended December 31, 2001, the Company settled \$16,581 of accounts payable by transferring ownership of assets with a net book value of \$18,395. This resulted in a loss on sale of capital assets of \$1,814.

These transactions were excluded from the statements of cash flows.

Note 11 Corporation Income Taxes

At December 31, 2001, the Company and its subsidiary have accumulated non-capital losses totalling \$4,355,301 which may be applied against future years taxable income. These losses expire as follows:

December 31,	2004	\$ 108,196
	2005	539,239
	2006	775,994
	2007	1,879,450
	2008	1,052,422
		<hr/>
		\$4,355,301
		<hr/> <hr/>

The potential tax benefit of these losses, if any, has not been recorded in the financial statements.

Note 12 Comparative Figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the current year.

Note 13 Subsequent Events – Note 8

Subsequent to December 31, 2001:

- i) The Company issued a convertible debenture for \$100,000 to a director of the Company. The debenture bears interest at 7% per annum. The lender may convert all or a portion of the principal into common shares of the Company as follows:
 - (a) \$0.25 per share within 180 days of issuance;
 - (b) \$0.75 per share from 181 – 365 days of issuance; and
 - (c) \$1.00 per share within the second year of the debenture.

This transaction is subject to regulatory approval.

Note 13 Subsequent Events – Note 8 – (cont'd)

- ii) The Company's wholly-owned subsidiary changed its name to QHR Software Group Inc. effective April 17, 2002.
- iii) Share purchase warrants outstanding at December 31, 2001 for the purchase of a total of 640,000 common shares expired.

Note 14 Segmented Information

The Company's revenue is derived from the following geographic segments:

	<u>2001</u>	<u>2000</u>
Canada		
- Software License Fees	\$ 260,747	\$ 261,571
- Software Services	660,066	407,329
- Consulting Services and Other	86,090	63,974
	<hr/> 1,006,903	<hr/> 732,874
United States		
- Software License Fees	173,649	-
- Software Services	127,988	20,510
- Consulting Services and Other	42,510	2,867
	<hr/> 344,147	<hr/> 24,377
Total Revenue	<hr/> <u>\$ 1,351,050</u>	<hr/> <u>\$ 757,251</u>



**British Columbia
Securities Commission**

**QUARTERLY AND YEAR END REPORT
BC FORM 51-901F (previously Form 61)**

Freedom of Information and Protection of Privacy Act: The personal information requested on this form is collected under the authority of and used for the purpose of administering the *Securities Act*. Questions about the collection or use of this information can be directed to the Supervisor, Financial Reporting (604-899-6731), P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2. Toll Free in British Columbia 1-800-373-6393.

INCORPORATED AS PART OF:

_____ Schedule A

 X Schedule B
(place X in appropriate category)

ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
QHR TECHNOLOGIES INC	December 31, 2001	02/05/21

ISSUER'S ADDRESS **1708 Dolphin Avenue, 4th Floor**

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Kelowna	BC	V1Y 9S4	(250) 717-5266	(250) 763-3122

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
Dave Goertz	Director	(250) 763-3122

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
dgoertz@quadranthr.com	quadranthr.com

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

"Al Hildebrandt"	AL HILDEBRANDT	02/05/21
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

"Dave Goertz"	DAVE GOERTZ	02/05/21
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

(Electronic signatures should be entered in "quotations")

QHR TECHNOLOGIES INC.
YEAR END REPORT
for the year ended December 31, 2001

Schedule A: Financial Information
– See financial statements attached

Schedule B: Supplementary Information

1. Analysis of expenses and deferred costs:
Operating Expenses
– See financial statements attached

2. Related party transactions:
– See Note 6 to the financial statements attached

3. Summary of securities issued and options granted during the period:

a) Summary of common shares issued during the year

<u>Date of Issue</u>	<u>Type of Issuance</u>	<u>No. of Shares Issued</u>	<u>Price Per Share</u>	<u>Total Proceeds</u>	<u>Type of Consideration</u>
Oct. 31/01	Private placement	1,000,001	\$0.75	\$750,000	Cash

b) There were no options granted during the year.

4. Summary of securities as at the end of the reporting period:

a) Description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion:
– See Note 9 to the financial statements attached

b) Number and recorded value for shares issued and outstanding:
– See Note 9 to the financial statements attached

c) Description of options, warrants and convertible securities outstanding including number or amount exercise or conversion price and expiry date, and any recorded value:
– See Note 9 to the financial statements attached

d) Number of shares in each class of shares subject to escrow or pooling agreements:
– See Note 9 to the financial statements attached

5. List of Directors and Officers: Al Hildebrandt, President, Chief Executive Officer and Director
Dave Goertz, Director
Kathy Love, Corporate Secretary
Jake Epp, Director
Tom O'Flaherty, Director

Schedule C: Management Discussion
– See attached

QHR TECHNOLOGIES INC.
YEAR END REPORT
for the year ended December 31, 2001

Schedule C: Management Discussion

Overview

QHR Technologies Inc. (the "Company" or "QHR") is engaged in the business of developing and implementing software products for the management of human resources ("HR") in large and medium sized organizations. QHR operates its business through its wholly owned subsidiary, New Horizon Technologies Inc. ("NHT"). (Subsequent to year-end, NHT changed its name to QHR Software Group Inc. – See Subsequent Events section below.)

NHT is an innovative Western Canadian software company that has developed an enterprise software solution for automating all facets of HR issues in large, complex organizations. NHT is focused on the design, development, marketing and implementation of computer software for HR and payroll management in large enterprises such as health care facilities.

Our HR and payroll software products enable managers to collect, track and utilize employee information from many sources including staff scheduling. This information is available from one central data repository. The product is marketed under the trade name, Quadrant HR (trademarks are pending in Canada and the United States).

A number of companies including ERP vendors market HR and payroll products to many industry segments. NHT has developed a unique marketing opportunity to service customers with complex HR issues including multiple employee positions, multiple employment contracts and multiple operational facilities such as emerging healthcare organizations. Quadrant HR is an effective management tool that provides significant cost efficiencies. The Company will further develop, expand and exploit its products in the healthcare marketplace and focus on new markets such as manufacturing and other industries.

Quadrant HR is designed to automate the current business practice of many HR managers that perform their duties manually or with limited computer support such as general-purpose spreadsheet applications. The wide variety of financial data resulting from the specific HR transactions required to effectively manage HR departments is derived from accurate payroll calculations. Quadrant HR eliminates the practice of recording personnel data several different times in different systems in order to capture the requirements of staff scheduling, human resources and payroll. The software model is designed to provide a reliable single-entry personnel database that is accessible by all managers and will significantly improve the effectiveness and efficiency of the organization's HR management.

The Financial Statements for the year ending December 31, 2001 for the Company are prepared on a consolidated basis. Management notes that the first generation of Quadrant HR was completed during the year. The costs to date to develop this unique product are approximately \$3,150,000 since inception in 1997. These costs are not reflected on the Balance Sheet of the Company as an asset under Generally Accepted Accounting Policies as currently applicable to the Company. Management believes that the market for QHR products is proving to exist and the expenditures in Quadrant HR will prove to be worthwhile.

Products

The Company's software products are all designed to provide HR managers with useful automation to handle the unique needs of today's complex human resource environment. QHR markets these products under the name Quadrant HR. It is designed to be a powerful management tool and provides software assistance to HR managers for:

- ◆ Payroll processing
- ◆ Compensation planning
- ◆ Performance management
- ◆ Organization/position management
- ◆ Recruitment and selection
- ◆ Central employee database
- ◆ Compliance reporting
- ◆ Employee relations
- ◆ HR planning
- ◆ Direct links to staff scheduling
- ◆ Workflow management
- ◆ Employee training and development

Markets

QHR currently offers Quadrant HR software products in Canada and the United States for healthcare applications. The market for HR services is highly competitive, rapidly evolving and subject to rapid technological change. QHR's market development is indicative of a start-up technology company that is beginning to make the shift from product design and development to marketplace distribution.

It has been essential that Quadrant HR become a reliable best-of-breed software product handling multiple HR processes for its clients. Therefore, the continued investment and expenditures in the product development of Quadrant HR and related services has been necessary. Our competitive advantage has to be that our products can out perform their competition and for our customer service to be the best available in the market.

Target markets that are ideal candidates for Quadrant HR include:

- ◆ Healthcare facilities,
- ◆ Public safety organizations such as fire, police and emergency service departments
- ◆ Hotel, casino and entertainment operations
- ◆ Civil services such as post office and military

One of the main barriers to entry into these markets for QHR is its financial condition and the limited resources at its disposal. QHR is a relatively new company with a good suite of products but must demonstrate to potential customers that we will be able to service any software applications we install. The Company is therefore marketing our products to large integration companies that can offer that assurance to customers.

Results of Operations

QHR and NHT consolidated their operations for the purpose of financial reporting and the financial statements are a continuation of the operations of NHT. The operations of QHR are included in the consolidated financial statements. The Company's year-end is December 31.

Results of operations are not necessarily indicative of results to be expected in future periods. Various trends and factors must be managed in order to achieve revenue growth and profitability. The introduction and market acceptance of Quadrant HR has taken a greater investment of Company resources than management had originally anticipated. The result has been poor financial health, limited access to investment capital due to general market conditions and the size and timing of customer orders has not materialized as projected.

As previously stated, Generally Accepted Accounting Principles, as currently applicable to the Company requires the Company to expense all product development costs in the period they are incurred. QHR has invested in excess of \$3,150,000 in the development of Quadrant HR since this project began and it is not reflected on the balance sheet as an asset. Management believes that Quadrant HR software has found an emerging market niche where revenue volume is growing consistently.

The Company's revenues and expenditures are indicative of a junior organization making the transition from a product development enterprise to a marketing company. Much investment has been required to introduce the Company products to the marketplace and assess customer requirements. Company resources are limited and the rate of customer adoption has been slower than originally anticipated.

The Company for the year ending December 31, 2001 recorded a loss from operations of \$1,087,080 compared to \$2,004,983 from the previous year. The loss per share for the year was \$0.09 compared to \$0.20 for the previous year, an improvement of 122%. This reduction in loss is a direct result of the completion of the first generation of Quadrant HR and an increased adoption rate of the product by customers.

The Company recognized revenues for the year ending December 31, 2001 of \$1,351,050 compared to \$757,251 in 2000, an increase of 78% over the previous period.

Deferred revenue reached \$375,024 at year-end compared to \$347,799 for 2000, up 8% from the previous year.

The Company invested \$376,528 in sales and marketing development during the year compared to \$176,128 for 2000. This investment was made to establish Quadrant HR in the marketplace. Customer contract success was developed since the expenditures were made.

Competition for technical personnel in the high-technology industry is intense. We believe that our future success depends in part on our continued ability to hire and retain qualified personnel. It is difficult for a small company such as QHR to recruit and retain personnel because of our size of operation and our limited resources. Therefore, we have had to pay a premium for the personnel we been able to recruit. Our failure to recruit qualified personnel could have a material adverse effect on our business, results of operations and financial condition.

Salaries for the year declined to \$1,320,778 compared to \$1,554,549 for 2000. This was due to the completion of the first generation of Quadrant HR and a subsequent reduction of staff.

Travel expenditures for customer service, trade shows and market development was \$154,410 compared to \$259,514 for 2000. Many of these costs are associated with the active market introduction of Quadrant HR.

Consulting and management fees for the year were \$292,648 compared to \$260,829 for 2000. These were spent for market research, Website construction and general management.

Legal fees were \$36,822 compared to \$87,001 for 2000. Legal fees for 2000 were higher due to the costs of completing the Reverse Take-over of NHT. Similar costs were not required in 2001. Legal fees represent work rendered on the business operations of QHR and NHT.

Accounting and audit fees were \$46,747 compared to \$36,020 for 2000. These costs have increased due to the growth of the business operations of the Company.

Product development expenditures decreased to \$774,892 compared to \$1,489,821 for 2000. These costs diminished over prior periods as the first generation of Quadrant HR was substantially completed during the year. The bulk of these expenditures were for continuous improvements to the product line and additional functions that were necessary for Quadrant HR to gain market acceptance.

The Company paid a product development fee in the amount of \$100,000 to a company in the aviation industry to develop a product for this industry segment. The development of this product is expected to be completed in the second quarter of 2002.

Milestones

The Company completed the first generation of Quadrant HR in October 2001. This allowed a full scale marketing effort to proceed. This campaign has been successful and the adoption rate by customers has gained momentum.

The Company has secured over 40 clients who use various Quadrant HR software. It employs 23 employees to develop, market, install and service customers.

The Joint Marketing Agreement with Medical Services Management Inc. (“MSM”) of Wakefield, Massachusetts, for the purpose of developing business from healthcare organizations has progressed as anticipated. MSM provides healthcare applications to over 500 North American, United Kingdom and South African healthcare providers.

Lukas Lundin resigned as director in August 2001 and James R. Bond resigned as President and Director on November 28, 2001. The Company wishes to thank both Mr. Lundin and Mr. Bond for their contributions as Directors. Mr. Bond remains a consultant to QHR and an advisor to the Board of Directors of the Company. Al Hildebrandt assumed the position of President, as well as CEO of QHR.

Investor Relations

On September 12, 2001 the Company’s Agreement for Investor Relations with Dragonfly Promotions Ltd. expired and was not renewed.

The original agreement was entered into on September 12, 2000. Dragonfly Promotions Ltd., a British Columbia company, wholly owned by Mr. James Lee, a businessman with 15 years on investment industry experience. The agreement ran for twelve months. In consideration of the services provided by Dragonfly, QHR agreed to pay Dragonfly a monthly fee of \$5,000.00. In addition to the monthly fee, QHR granted an incentive option to Dragonfly entitling Dragonfly to acquire up to 100,000 common shares of QHR at an exercise price of \$1.50 per share subject to regulatory approval. During the term of the agreement, 25,000 shares of the stock option vested for exercise at the end of each consecutive 90 day period. The option expires on September 23, 2002.

Legal Proceedings

The Company is not involved in any legal proceedings at the time of this report.

Subsequent Events

The Company announced that since the year-end it had received new contracts contributing in excess of \$700,000 new positive cash flow. Along with these new contracts, service contract revenue for 2002 should exceed \$500,000.

Since its year-end, QHR has billed its clients in excess of \$1,600,000 for new and renewed contracts, and on-going service contracts. The Company has received in excess of \$1,280,000 in payments from customers. This has improved the financial health of QHR and reduced the need to finance operations from external sources of capital.

The Company appointed two new outside directors to the Board of Directors. The Honorable Jake Epp, a former federal cabinet minister and Mr. Tom O’Flaherty both consented to act as Directors of the Company.

The Company issued a convertible debenture for \$100,000 to a director of the Company. The debenture bears interest at 7% per annum. The lender may convert all or a portion of the principal into common shares of the Company as follows:

- (a) \$0.25 per share within 180 days of issuance;
- (b) \$0.75 per share from 181 – 365 days of issuance; and
- (c) \$1.00 per share within the second year of the debenture.

This transaction is subject to regulatory approval.

The name of New Horizon Technologies Inc. was changed to QHR Software Group Inc. on April 17, 2002. The change was made to better identify the overall organization as a whole for customers, shareholders and investors.

Related Party Transactions

Bondwest Enterprises Inc., a wholly owned company of the former President and Director was paid \$78,000 during the year for management services. Mr. Bond resigned as President and Director on November 28, 2001. Mr. Bond continues to provide consulting services and acts as an advisor to the Board of Directors. Bondwest has an outstanding stock option of 150,000 common shares exercisable at \$1.00 per common share. These options expire on June 28, 2005.

Gearhead Enterprises Inc, a wholly owned company of a Director of the Company was paid \$61,000 during the year for management services. Gearhead has an outstanding stock option of 150,000 common shares exercisable at \$1.00 per common share. These options expire on June 28, 2005.

Achievers Choice Technologies Inc., a company controlled by the President, CEO and Director of the Company was paid \$40,000 during the year for management services. The CEO has an outstanding stock option of 450,000 common shares exercisable at \$1.00 per common share for a period of five years. These options expire on June 28, 2005.

The Corporate Secretary of the Company was paid \$16,150 during the year for administration services. This officer has an outstanding stock option of 5,000 common shares exercisable at \$1.00 per common share for a period of five years.

Liquidity and Capital Resources

The working capital deficiency at December 31, 2001 was \$1,132,607 an increase of \$138,639 from December 31, 2000.

This working capital deficiency is primarily the result of a slower than anticipated adoption rate for the Company's products by potential customers and limited access to equity capital due to general market conditions for technology. Expenditures made for the continued development the Company's products, market penetration and implementation the business plans of the Company have contributed to the deficit. The deficit also includes a loan from a control shareholder in the amount of \$166,948 and deferred revenue of \$375,024.

Since its year-end, QHR has billed its clients in excess of \$1,600,000 for new and renewed contracts, and on-going service contracts. The Company has received in excess of \$1,280,000 in payments from customers. This has reduced the need to finance operation from external sources of capital.

Cash flows from operating activities used \$635,735 compared to \$1,715,765 for 2000.

Cash flows from financing activities included \$750,000 of new equity funding. On October 31, 2001 the Company completed its private placement at \$750,000 and was approved by the CDN. The final private placement consists of 1,000,001 units. Each unit consists of one common share and one-half common share purchase warrant. Each full share purchase warrant entitles the purchaser to buy one common share at a price of \$1.00 per share in the first year or \$1.25 in the second year.

A term loan in the amount of \$45,000 from the Royal Bank remained outstanding at December 31, 2001. This loan reduces by \$5,000 per month plus interest.

Unsecured advances in the amount of \$166,948 were received from a company controlled by the Chief Executive Officer, President, control shareholder and director of the Company.

The Company's common shares have experienced price volatility as a result of the slow pace of our operational development. In addition, the stock market for technology issues as a whole has experienced extreme price fluctuations. This major decline in interest in technology companies and the market price of our common shares may negatively impact our ability to raise capital, retain employees and continue to implement our business plan.

Should the Company be unable to secure adequate equity funding or adequate revenue volume from customers at any time during the next year Management may have to revise its business plans accordingly.