



**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	June 30, 2002	02/08/02

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.
Al Hildebrandt	President, CEO and Director	(250) 979-1701

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
ahildebrandt@qhrsoftware.com	qhrsoftware.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	02/08/02
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

"Dave Goertz"	DAVE GOERTZ	02/08/02
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

(Electronic signatures should be entered in "quotations")

QHR TECHNOLOGIES INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2002

(Unaudited – See Notice to Reader)

TERRY AMISANO LTD.
KEVIN HANSON, C.A.

AMISANO HANSON
CHARTERED ACCOUNTANTS

NOTICE TO READER

We have compiled the interim consolidated balance sheets of QHR Technologies Inc. as at June 30, 2002 and the interim consolidated statements of loss and deficit and cash flows for the three and six month periods then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Vancouver, Canada
July 26, 2002

“AMISANO HANSON”
Chartered Accountants

QHR TECHNOLOGIES INC.
INTERIM CONSOLIDATED BALANCE SHEETS
June 30, 2002 and December 31, 2001
(Unaudited – See Notice to Reader)

	(Unaudited) June 30, <u>2002</u>	(Audited) December 31, <u>2001</u>
<u>ASSETS</u>		
Current		
Cash	\$ 277,700	\$ 21,898
Accounts receivable	407,683	167,601
Prepaid expenses	6,916	-
	<hr/>	<hr/>
	692,299	189,499
Capital assets	62,039	51,481
Goodwill	-	74,994
	<hr/>	<hr/>
	\$ 754,338	\$ 315,974
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES</u>		
Current		
Bank loan payable	\$ -	\$ 45,000
Accounts payable – Notes 3 and 4	638,452	656,259
Promissory note payable	-	78,875
Due to related parties – Note 3	129,654	166,948
Deferred revenue	845,486	375,024
	<hr/>	<hr/>
	1,613,592	1,322,106
Convertible debenture – Note 4	100,000	-
	<hr/>	<hr/>
	1,713,592	1,322,106
	<hr/> <hr/>	<hr/> <hr/>
<u>SHAREHOLDERS' DEFICIENCY</u>		
Share capital – Note 5	3,572,634	3,572,634
Contributed surplus	11	11
Deficit	(4,531,899)	(4,578,777)
	<hr/>	<hr/>
	(959,254)	(1,006,132)
	<hr/>	<hr/>
	\$ 754,338	\$ 315,974
	<hr/> <hr/>	<hr/> <hr/>

SEE ACCOMPANYING NOTES

QHR TECHNOLOGIES INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
for the three and six months ended June 30, 2002 and 2001
(Unaudited – See Notice to Reader)

	Three months ended June 30,		Six months ended June 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenue				
Software license fees	\$ 389,235	\$ 115,742	\$ 585,847	\$ 115,742
Software services – Note 3	274,949	235,118	456,021	370,772
Consulting services and other	27,613	35,472	68,629	59,535
	<u>691,797</u>	<u>386,332</u>	<u>1,110,497</u>	<u>546,049</u>
Operating Expenses				
Sales and marketing – Schedule 1	105,041	33,029	173,871	66,979
Service delivery – Schedule 2	129,567	114,751	247,228	212,092
Administrative expenses – Schedule 3	163,892	151,909	285,475	250,706
Product management and development – Schedule 4	140,397	352,361	282,051	672,881
	<u>538,897</u>	<u>652,050</u>	<u>988,625</u>	<u>1,202,658</u>
Income (loss) for the period before other item	152,900	(265,718)	121,872	(656,609)
Other item:				
Write-down of acquisition goodwill	(37,500)	(37,495)	(74,994)	(74,990)
Net income (loss) for the period	115,400	(303,213)	46,878	(731,599)
Deficit, beginning of the period	(4,647,299)	(3,920,083)	(4,578,777)	(3,491,697)
Deficit, end of the period	<u>\$ (4,531,899)</u>	<u>\$ (4,223,296)</u>	<u>\$ (4,531,899)</u>	<u>\$ (4,223,296)</u>
Basic earnings (loss) per share before write-down of acquisition goodwill	<u>\$ 0.01</u>	<u>\$ (0.02)</u>	<u>\$ 0.01</u>	<u>\$ (0.05)</u>
Basic earnings (loss) per share	<u>\$ 0.01</u>	<u>\$ (0.03)</u>	<u>\$ -</u>	<u>\$ (0.06)</u>
Diluted earnings per share before write-down of acquisition goodwill	<u>\$ 0.01</u>	<u>\$ -</u>	<u>\$ 0.01</u>	<u>\$ -</u>
Diluted earnings per share	<u>\$ 0.01</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES

QHR TECHNOLOGIES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three and six months ended June 30, 2002 and 2001
(Unaudited – See Notice to Reader)

	Three months ended June 30,		Six months ended June 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Operating Activities				
Net income (loss) for the period	\$ 115,400	\$ (303,213)	\$ 46,878	\$ (731,599)
Charges to income not affecting cash:				
Amortization of capital assets	7,024	9,038	13,238	21,096
Write-down of goodwill	37,500	37,495	74,994	74,990
	<u>159,924</u>	<u>(256,680)</u>	<u>135,110</u>	<u>(635,513)</u>
Changes in non-cash working capital items related to operations:				
Accounts receivable	(105,745)	(124,230)	(240,082)	(221,810)
Prepaid expenses	(468)	9,829	(6,916)	18,538
Accounts payable	(71,721)	91,188	(17,807)	126,580
	<u>(18,010)</u>	<u>(279,893)</u>	<u>(129,695)</u>	<u>(712,205)</u>
Investing Activity				
Acquisition of capital assets	(22,836)	(6,455)	(23,796)	(6,455)
Financing Activities				
Bank loan repayment	(29,914)	(18,750)	(45,000)	(37,500)
Promissory note repayment	(39,060)	-	(78,875)	-
Repayment of related parties loans	(49,054)	(329,859)	(37,294)	(11,690)
Increase in deferred revenue	321,621	117,365	470,462	250,551
Proceeds from issuance of convertible debenture	-	-	100,000	-
Proceeds from sale of units	-	550,000	-	550,000
	<u>203,593</u>	<u>318,756</u>	<u>409,293</u>	<u>751,361</u>
Increase in cash during the period	162,747	32,408	255,802	32,701
Cash (cash deficiency), beginning of the period	114,953	(82,900)	21,898	(83,193)
Cash (cash deficiency), end of the period	<u>\$ 277,700</u>	<u>\$ (50,492)</u>	<u>\$ 277,700</u>	<u>\$ (50,492)</u>
Cash deficiency is comprised of:				
Cash	\$ 277,700	\$ 45	\$ 277,700	\$ 45
Bank indebtedness	-	(50,537)	-	(50,537)
	<u>\$ 277,700</u>	<u>\$ (50,492)</u>	<u>\$ 277,700</u>	<u>\$ (50,492)</u>

SEE ACCOMPANYING NOTES

QHR TECHNOLOGIES INC.

for the three and six months ended June 30, 2002 and 2001

(Unaudited – See Notice to Reader)

	Three months ended June 30,		Six months ended June 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Schedule 1 – SALES AND MARKETING				
Amortization	\$ 841	\$ 207	\$ 1,682	\$ 513
Bad debt expense	23,501	-	23,501	-
Consulting fees	-	205	-	906
Office and miscellaneous	3,490	2,060	5,910	3,894
Product promotion	2,040	2,396	2,873	6,006
Rent	1,533	226	3,313	1,684
Travel	17,545	6,660	30,067	10,608
Wages and benefits	56,091	21,275	106,525	43,368
	<u>\$ 105,041</u>	<u>\$ 33,029</u>	<u>\$ 173,871</u>	<u>\$ 66,979</u>
Schedule 2 – SERVICE DELIVERY				
Amortization	\$ 1,366	\$ 872	\$ 2,675	\$ 2,208
Consulting	-	14,946	-	14,946
Office and miscellaneous	2,992	1,564	4,500	11,429
Rent	6,133	4,349	13,253	9,903
Staff training and recruitment	3,303	462	3,425	462
Travel	21,950	22,682	46,336	35,313
Wages and benefits	93,823	69,876	177,039	137,831
	<u>\$ 129,567</u>	<u>\$ 114,751</u>	<u>\$ 247,228</u>	<u>\$ 212,092</u>
Schedule 3 – ADMINISTRATIVE EXPENSES				
Accounting and audit fees	\$ 11,492	\$ 31,647	\$ 11,492	\$ 34,884
Amortization	2,866	2,100	4,320	5,468
Consulting fees – Note 3	13,816	54,143	24,590	93,114
Foreign exchange	9,342	-	9,342	-
Interest and bank charges – Note 3	8,797	8,215	16,139	12,729
Legal fees	7,019	1,804	7,048	6,823
Management fees – Note 3	63,000	13,768	126,000	30,462
Office and miscellaneous	24,862	6,788	52,785	10,970
Rent	3,067	2,111	6,627	4,223
Travel	1,647	541	2,242	1,773
Transfer agent fees	5,681	2,603	9,064	3,323
Wages and benefits – Note 3	12,303	28,189	15,826	46,937
	<u>\$ 163,892</u>	<u>\$ 151,909</u>	<u>\$ 285,475</u>	<u>\$ 250,706</u>

.../Cont'd.

QHR TECHNOLOGIES INC.
for the three and six months ended June 30, 2002 and 2001
(Unaudited – See Notice to Reader)

Schedule 4 – PRODUCT MANAGEMENT AND DEVELOPMENT	Three months ended June 30,		Six months ended June 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Amortization	\$ 1,951	\$ 5,859	\$ 4,561	\$ 12,907
Consulting	12,000	-	12,000	-
Office and miscellaneous	101	26,691	230	51,371
Rent	4,600	14,431	9,940	26,422
Staff training and recruitment (recovery)	92	228	1,013	(1,039)
Travel	496	32,388	931	51,539
Wages and benefits	121,157	272,764	253,376	531,681
	<u>\$ 140,397</u>	<u>\$ 352,361</u>	<u>\$ 282,051</u>	<u>\$ 672,881</u>

QHR TECHNOLOGIES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2002
(Unaudited – See Notice to Reader)

Note 1 Interim Reporting

The unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and follow the same accounting policies and methods of their application as the Company's most recent annual financial statements, except as noted in Note 2. These interim financial statements do not include all of the disclosure included in the annual financial statements, and accordingly, they should be read in conjunction with the annual financial statements for the year ended December 31, 2001. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

Note 2 Significant Accounting Policies

Principles of Consolidation

These consolidated financial statements include the accounts of QHR Technologies Inc. and its wholly-owned subsidiary QHR Software Group Inc. (formerly New Horizon Technologies Inc.), a company incorporated under the laws of the Province of British Columbia. All significant inter-company transactions and balances have been eliminated.

Changes in Accounting Policy

Effective January 1, 2002, the Company prospectively adopted the new recommendations of the CICA relating to goodwill and other intangible assets. Accordingly, the Company ceased amortization of goodwill on January 1, 2002 and now tests for impairment.

Effective January 1, 2002, the Company adopted the CICA's new handbook section 3870, Stock-based Compensation and Other Stock-based Payments. Under the new standard, stock-based payments to non-employees, and employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after January 1, 2002, are accounted for using the fair value based method. No compensation cost is recorded as share capital and contributed surplus. The Company disclosed the pro-forma effect of accounting for these awards under the fair value based method. The adoption of this new standard has resulted in no changes to amounts previously reported.

Note 3 Related Party Transactions – Note 4

During the three and six months ended June 30, 2002 and 2001, the Company incurred the following expenses charged by directors, officers and private companies with common directors with the Company and a significant shareholder:

	Three months ended June 30,		Six months ended June 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Consulting	\$ 4,500	\$ 26,650	\$ 10,500	\$ 50,650
Interest	2,340	-	2,340	-
Management fees	43,500	13,768	87,000	30,462
Wages and benefits – administrative expenses	-	18,450	-	36,900
	<u>\$ 50,340</u>	<u>\$ 58,868</u>	<u>\$ 99,840</u>	<u>\$ 118,012</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 June 30, 2002 is \$9,306 (December 31, 2001: \$23,066) owing to directors and officers of the Company and companies controlled by a director of the Company.

Due to related parties at June 30, 2002, in the amount of \$129,654 (December 31, 2001: \$166,948) are 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 4 Convertible Debenture

The Company issued a convertible debenture for \$100,000 to a director of the Company. The debenture bears interest at 7% per annum, is unsecured and is due on March 31, 2004. At June 30, 2002, \$2,340 of accrued interest is included in accounts payable. 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 for 181 – 365 days of issuance; and
- (c) \$1.00 per share within the second year of the debenture.

Note 5 Share Capital – Note 4

a) Authorized:

100,000,000 Common shares without par value

b) Issued:

	<u>Number</u>	<u>\$</u>
Balance, June 30, 2002 and December 31, 2001	12,950,759	3,572,634

c) Escrow:

At June 30, 2002, 5,903,998 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.

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 June 30, 2002 and 2001 and changes during the periods ending on those dates is presented below:

	<u>June 30, 2002</u>		<u>June 30, 2001</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at beginning of period	976,700	\$1.05	1,032,600	\$1.05
Granted	50,000	\$0.35	-	-
Options outstanding and exercisable at end of period	<u>1,026,700</u>	<u>\$1.02</u>	<u>1,032,600</u>	<u>\$1.05</u>

Note 5 Share Capital – Note 4 – (cont'd)

d) Commitments: - (cont'd)

Stock-based Compensation Plan – (cont'd)

At June 30, 2002, the Company had 1,026,700 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>Exercise Price</u>	<u>Expiry Date</u>
100,000	\$1.50	September 23, 2002
876,700	\$1.00	June 28, 2005
50,000	\$0.35	June, 4, 2007
<u>1,026,700</u>		

The Company uses the intrinsic value method of accounting for share options granted to directors, officers and employees. If the fair value method had been used to determine compensation cost for share options granted in 2002 to directors, officers and employees, the Company's net earnings and earnings per share would have been as follows:

	<u>As Reported</u>	<u>Fair Value of Options Granted</u>	<u>Pro-forma</u>
Net earnings	\$ 46,878	\$ 14,443	\$ 32,435
Basic earnings per common share	\$ -		\$ -
Diluted earnings per common share	\$ -		\$ -

The fair value of share options was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>Six months ended June 30, 2002</u>
Risk-free interest rate	5%
Annual dividends per share	-
Expected stock price volatility	115%

The expected lives of the options used in the option pricing model was determined as 5 years.

Note 5 Share Capital – Note 4 – (cont'd)

d) Commitments: - (cont'd)

Share Purchase Warrants

At June 30, 2002, the Company had 500,000 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held at \$1.00 per share until October 31, 2002 and at \$1.25 per share until October 31, 2003.

Convertible Debenture

Note 4

Note 6 Comparative Figures

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

Note 7 Segmented Information

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

	Three months ended June 30,		Six months ended June 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Canada				
– Software License Fees	\$ 283,976	\$ 67,594	\$ 462,808	\$ 67,594
– Software Services	217,461	168,569	387,955	304,223
– Consulting Services and Other	7,456	13,820	48,472	37,883
	<u>508,893</u>	<u>249,983</u>	<u>899,235</u>	<u>409,700</u>
United States				
– Software License Fees	105,259	48,148	123,039	48,148
– Software Services	57,488	66,549	68,066	66,549
– Consulting services and other	20,157	21,652	20,157	21,652
	<u>182,904</u>	<u>136,349</u>	<u>211,262</u>	<u>136,349</u>
Total Revenue	<u>\$ 691,797</u>	<u>\$ 386,332</u>	<u>\$ 1,110,497</u>	<u>\$ 546,049</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
OHR TECHNOLOGIES INC	June 30, 2002	02/08/02

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.
Al Hildebrandt	President, CEO and Director	(250) 979-1701

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
ahildebrandt@ghrsoftware.com	ghrsoftware.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	02/08/02
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

"Dave Goertz"	DAVE GOERTZ	02/08/02
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

(Electronic signatures should be entered in "quotations")

QHR TECHNOLOGIES INC.
QUARTERLY REPORT
for the six months ended June 30, 2002

Schedule A: Financial Information

- See financial statements attached

Schedule B: Supplementary Information

1. Analysis of expenses and deferred costs:
 - See financial statements attached
2. Related party transactions:
 - See Note 3 to the financial statements attached
3. Summary of securities issued and options granted during the period:
 - a) Summary of common shares issued during the period: None
 - b) Summary of options granted during the period: None
4. Summary of securities as at the end of the reporting period:
 - a) Authorized share capital:
 - See Note 5 to the financial statements attached
 - b) Number and recorded value for shares issued and outstanding:
 - See Note 5 to the financial statements attached
 - c) Options, warrants and convertible securities outstanding:
 - See Note 5 to the financial statements attached
 - d) Number of shares in each class of shares subject to escrow or pooling agreements:
 - See Note 5 to the financial statements attached
5. List of Directors and Officers: Al Hildebrandt, President, Chief Executive Officer
and Director
Dave Goertz, Director
Jake Epp, Director
Tom O'Flaherty, Director
Kathy Love, Corporate Secretary

Schedule C: Management Discussion

- See attached

QHR TECHNOLOGIES INC.
QUARTERLY REPORT
for the six months ended June 30, 2002

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, QHR Software Group Inc. ("QSG"), formerly known as New Horizon Technologies Inc.

QSG 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. QSG 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.

The Company's 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 different industry segments. QSG 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 six months ending June 30, 2002 for the Company are prepared on a consolidated basis. Management notes that the first generation of Quadrant HR was substantially completed during the fourth quarter of 2001. The costs to date to develop this unique product are in excess of \$3,450,000 since inception in 1997. These costs are not reflected on the Balance Sheet of the Company as an asset due to the Generally Accepted Accounting Policies that are currently applicable to the Company. Management believes that the market for QHR products exists and the expenditures in Quadrant HR will prove to be a worthwhile investment.

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 brand name Quadrant HR. This “best of breed” suite of software products 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. 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 is that our products can out perform their competition and our customer service is the best available in the market.

Target markets that are ideal candidates for Quadrant HR include:

- ◆ Healthcare facilities
- ◆ Government
- ◆ 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 QHR will be able to service any software applications it installs. The Company is therefore beginning to market our products through larger integration companies that can offer that assurance to customers.

Results of Operations

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

The financial statements indicate that the Company has achieved income of \$121,872 or \$.01 per share before write-down of acquisition goodwill for the six month period ending June 30, 2002. These results of operations are not necessarily indicative or guarantee results to be expected in future periods. Management, however, is confident that it can maintain and grow profitable operations but various trends and factors must be carefully managed in order to achieve continued revenue growth and profitability.

As previously discussed, the introduction and market acceptance of Quadrant HR has taken a greater investment of Company resources and time than management had originally anticipated. The Company has suffered poor financial health as a result and access to investment capital has been limited due to general market conditions. The timing and size of customer orders has also not materialized as originally projected in 2000 but seem to be back on track with current projections. Despite these adverse conditions QHR has been able to continue its operations from cash flows generated by its operations. While these negative factors have improved considerably over the past six months and management is confident about the future, cautious optimism should be demonstrated.

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 \$3,450,000 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 have been limited for much of the last 24 months and the rate of customer adoption has been slower than anticipated in June of 2000. Current operations, however are now growing as originally projected.

The Company for the six months ending June 30, 2002 recorded net income from operations of \$46,878 including write-down of goodwill compared to a loss of \$731,599 for the second quarter of 2001. The earnings per share for the period before write-down of goodwill was \$0.01 compared to a loss of \$0.05 per share for the same period last year. 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 six months ending June 30, 2002 of \$1,110,497 compared to \$546,049 in 2001, an increase of 103% over the previous period.

Deferred revenue reached \$845,486 at quarter-end compared to \$375,024 at December 31, 2001, up 125% from the year end.

The Company invested \$173,871 in sales and marketing development during the six months ended June 30, 2002 compared to \$66,979 for 2001. This investment was made to continue sales momentum that has been established for Quadrant HR in the marketplace. New customer contracts and product implementations were initiated due to these expenditures.

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 six months declined to \$552,766 compared to \$759,817 for 2001. This was due to the completion of the first generation of Quadrant HR in 2001 and a subsequent reduction of product development staff.

Travel expenditures for customer service, trade shows and market development were \$79,576 compared to \$99,233 for 2001. Many of these costs are associated with the active market introduction of Quadrant HR.

Consulting and management fees for the six months were \$162,590 compared to \$139,428 for 2001. These were spent for market research, website construction and general management.

Product management and development expenditures decreased to \$282,051 compared to \$672,881 for 2001. These costs diminished over prior periods as the first generation of Quadrant HR was substantially completed during the previous 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.

Milestones

The Company has recorded its first profitable reporting period since its inception. Despite an extremely negative capital market, QHR has managed to survive due to the growth and profitability of its business operations.

The value of the common shares of QHR improved from a low of \$.08 per share in December 2001 to \$.50 per share at close of market on June 30, 2002.

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. The Company's website address has also been changed to qhrsoftware.com.

At the Company's Annual General Meeting in June 2002, the Company successfully re-appointed two outside directors to the Board of Directors. The Honourable Jake Epp, who is a former federal cabinet minister and Mr. Tom O'Flaherty have both consented to continue to act as Directors of the Company. Mr. James Bond, past president and former director of QHR will remain a consultant to the Company and an advisor to the Board of Directors.

The Company issued a convertible debenture for \$100,000 to a director of the Company during the quarter ended March 31, 2002. The debenture bears interest at 7% per annum, is unsecured and is due on March 31, 2004. 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.

The Company notes that it 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.

Second quarter revenues were \$691,797. In addition to the \$418,700 of revenue reported for the first quarter of 2002, management notes that sales activities began to accelerate in the fourth quarter of 2001. It would like to highlight that fourth quarter operations of the year ended December 31, 2001 generated \$436,748 in revenue and achieved a small profit of \$25,422 during that period.

In the three quarters following the tragic events of September 11, 2001, and ensuing economic aftermath in the technology sector, the Company generated revenues of \$1,547,245. QHR has operated through three consecutive quarters recording operational profits of \$145,480. Amortization and the write-down of goodwill in the amount of \$112,489 left a net profit of \$32,991 for the three quarter period ending June 30, 2002.

The Company has now secured over 40 clients who use one or more core modules of the Quadrant HR software. It employs 23 employees to develop, market, install and service customers.

Service contracts for 2002 were billed in excess of \$500,000 and will be recognized as revenue during the year. Recognition of this revenue began in April 2002 and will be recognized on a monthly basis. Service contracts provide an important source of re-occurring revenue that will assist QHR in the re-establishment of its financial health.

In order to adapt Quadrant HR to other industrial uses, the Company paid a product development fee in the amount of \$100,000 in 2001 to a company in the aviation industry. The purpose is to develop a HR product for the aviation, manufacturing and service industry. The development of this product is progressing well and initial implementation has been completed in the second quarter of 2002.

Investor Relations

QHR currently has no Agreement for Investor Relations with any outside individuals or agencies.

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. 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

QHR entered a non-exclusive Implementations Partners Agreement (“IPA”) with Sierra Systems Group Inc. of Vancouver, BC in July 2002. Under the IPA, Sierra becomes an experienced and cost effective partner of QHR. Sierra is one of North America’s original business consulting and technology services organizations. It has built industry-leading practices in justice, electronic government health, expertise solutions, financial and insurance services, utilities and telecommunications and established regional market expertise in its 14 strategic locations.

The Company announced that since the year-end it had received new and renewed contracts contributing in excess of \$1,200,000 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.

Related Party Transactions

Gearhead Enterprises Inc, a wholly owned company of a Director of the Company was paid \$39,000 during the six months 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 \$48,000 during the six months 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 \$10,500 during the period for administration services. This officer has an outstanding stock option of 5,000 common shares exercisable at \$1.00 per common share. These options expire on June 28, 2005.

Liquidity and Capital Resources

The working capital deficiency at June 30, 2002 was \$921,293 a decrease of \$211,314 from December 31, 2001.

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 companies. Expenditures made for the continued development the Company’s products, market penetration and implementation the business plans of the Company have contributed to the deficiency. The working capital deficiency also includes a loan from a control shareholder in the amount of \$129,654 and deferred revenue of \$845,486.

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. This has reduced the need to finance operation from external sources of capital.

Net cash flows from operating activities used \$129,695 compared to \$712,205 for the same period in 2001.

A term loan from the Royal Bank was paid out during the quarter.

Unsecured advances in the amount of \$129,654 were owing to 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. Share price improved from its 52 week low of \$.08 per share in December 2001 to \$.50 per share at the close of market on June 30, 2002.

While the stock market for technology issues as a whole has experienced extreme negative price fluctuations, the value of QHR has improved during the same period. Management notes that this continuing decline in interest in technology companies may negatively impact the Company's ability to maintain corporate value, raise equity capital, retain employees and continue to implement its business plan.

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