



CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

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

Table of Contents

Auditors' Report1

Consolidated Financial Statements:

Consolidated Balance Sheets2

Consolidated Statements of Operations, Comprehensive Income and Deficit3

Consolidated Statements of Cash Flows4

Notes to Consolidated Financial Statements 5 - 23



Auditors' report

Grant Thornton LLP
Suite 1600, Grant Thornton Place
333 Seymour Street
Vancouver, BC
V6B 0A4
T (604) 687-2711
F (604) 685-6569
www.GrantThornton.ca

To the shareholders of QHR Technologies Inc.

We have audited the consolidated balance sheets of QHR Technologies Inc. as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive income 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
April 28, 2010

Chartered accountants

QHR TECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
Current Assets		
Cash	\$ 1,037,609	\$ 98,634
Accounts receivable (Note 16)	2,206,851	1,255,556
Inventory	31,390	18,361
Prepaid expenses and deposits	737,241	162,229
Investment tax credits receivable (Note 6)	579,092	380,000
	4,592,183	1,914,780
Deposits (Note 5)	-	250,000
Accounts receivable (Note 8)	82,874	109,663
Property and equipment (Note 9)	1,307,812	665,942
Goodwill (Notes 5 and 10)	2,919,181	365,398
Intangible assets (Note 11)	8,825,663	1,256,247
	\$ 17,727,713	\$ 4,562,030
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,677,266	\$ 874,236
Promissory notes payable (Note 5)	3,205,174	-
Current portion of long-term debt (Note 12)	395,526	146,290
Current portion of capital lease obligations (Note 13)	366,659	99,061
	7,644,625	1,119,587
Deferred revenue	2,081,412	1,228,377
	9,726,037	2,347,964
Long-term debt (Note 12)	1,518,293	243,804
Capital lease obligations (Note 13)	374,980	130,957
	11,619,310	2,722,725
SHAREHOLDERS' EQUITY		
Share capital (Note 14)	9,559,282	7,213,514
Contributed surplus (Note 15)	134,165	21,606
Warrants (Note 14)	477,709	21,175
Deficit	(4,062,753)	(5,416,990)
	6,108,403	1,839,305
	\$ 17,727,713	\$ 4,562,030

Commitments (Note 18)
Subsequent event (Note 22)

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

QHR TECHNOLOGIES INC.**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
REVENUE	\$ 13,822,994	\$ 6,521,364
OPERATING EXPENSES		
Cost of goods (Note 7)	832,005	-
Service costs	5,608,349	3,112,410
Selling and administrative expenses	4,638,819	2,780,972
	11,079,173	5,893,382
Earnings before the following items	2,743,821	627,982
Stock-based compensation expense	109,705	13,822
Amortization of property and equipment	374,502	204,427
Amortization of intangible assets	584,533	126,420
Interest expense	318,374	34,897
Loss (gain) on foreign exchange	2,470	(5,211)
	1,389,584	374,355
Earnings before income taxes	1,354,237	253,627
Income taxes (Note 20)	-	-
Net earnings and comprehensive income	1,354,237	253,627
Deficit, beginning of year	(5,416,990)	(5,670,617)
Deficit, end of year	\$ (4,062,753)	\$ (5,416,990)
Basic earnings per share	\$ 0.06	\$ 0.01
Fully diluted earnings per share	0.05	0.01
Basic weighted average number of shares outstanding	24,512,973	21,995,759
Fully diluted weighted average number of shares outstanding	25,267,940	21,995,759

QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
OPERATING ACTIVITIES		
Net earnings	\$ 1,354,237	\$ 253,627
Items not affecting cash		
Write off of intangible assets	93,766	-
Amortization of property and equipment	374,502	204,427
Amortization of intangible assets	584,533	126,420
Stock based compensation	109,705	13,822
Accretion on long term debt	33,881	-
Changes in non-cash operating assets and liabilities		
Accounts receivable	(376,552)	(147,191)
Inventory	38,236	-
Prepaid expenses and deposits	(219,573)	(9,632)
Investment tax credits	380,000	(380,000)
Accounts payable and accrued liabilities	1,129,911	159,375
Deferred revenue	(693,965)	115,210
	<u>2,808,681</u>	<u>336,058</u>
INVESTING ACTIVITIES		
Deposit	-	(250,000)
Purchase of property and equipment	(126,227)	(69,734)
Business acquisition net of cash acquired	(4,768,371)	(22,560)
Acquisition of intangible assets	(574,715)	(242,983)
	<u>(5,469,313)</u>	<u>(585,277)</u>
FINANCING ACTIVITIES		
Increase in long term debt	2,095,000	-
Repayment of long-term debt and capital leases	(543,022)	(145,552)
Repayment of capital leases	(269,793)	-
Proceeds from share issuances, less issue costs	2,317,422	-
	<u>3,599,607</u>	<u>(145,552)</u>
Increase (Decrease) in cash	938,975	(394,771)
Cash - beginning	98,634	493,405
Cash - end of year	<u>\$ 1,037,609</u>	<u>\$ 98,634</u>
Supplemental Cash Flow Disclosure		
Interest paid	\$ 318,374	\$ 16,668
Non-cash financing and investing activities		
Capital assets acquired under capital lease obligations	357,076	278,887
Share capital issued with long term debt (Note 5)	62,134	-
Share capital issued for business acquisition (Note 5)	-	120,000
Share capital issued on acquisition of assets (Note 14(b))	425,600	-
Promissory notes issued in business acquisition (Note 5)	3,205,174	-

QHR TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. NATURE OF OPERATIONS

QHR Technologies Inc. (the "Company" or "QHR") is a public company whose shares are traded on the TSX Venture Exchange (TSXV: QHR). The Company's principal business is the development and delivery of human resource management, payroll, staff scheduling and financial software systems for the healthcare and social services sectors and electronic medical records applications for physicians' medical offices.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of QHR and its wholly owned subsidiaries, QHR Software Inc., Optimed Software Corporation, Cloudwerx Data Solutions Inc., and Clinicare Corporation. In 2008 National Medical Solutions Inc. merged with Optimed Software Corporation and is no longer a reporting entity. Non operating subsidiaries consist of QHR Atlantic Software Inc., QHR Central Software Inc. and Canawork Corporation. All inter-company transactions and balances have been eliminated. The results of businesses acquired during the year are included in the consolidated financial statements for the period subsequent to their acquisition dates.

Use of estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

The revenue to recognize each period, the provision for uncollectible accounts receivable, the recoverable amount and estimated useful life of the Company's intangible assets, the fair value of goodwill, the fair value of stock options and warrants granted, the valuation allowance for future income tax assets, the valuation of investment tax credits and the useful lives of property and equipment are based on management estimates. Management reviews significant estimates on a periodic basis and, where necessary, makes adjustments prospectively.

Revenue Recognition

The Company recognizes revenue from software licensing pursuant to Emerging Issues Committee ("EIC") Abstract 142, which is generally once delivery has occurred, evidence of an arrangement exists, the fee is fixed and determinable, collection of the fee is probable and there are no significant vendor obligations remaining. For multiple element arrangements where Vendor Specific Objective Evidence ("VSOE") is available for all elements, the contract value is allocated to each element based upon relative VSOE and revenue is recognized separately for each element. Where VSOE is available for all undelivered elements, the "residual method" is used to value the delivered elements. Where VSOE is not available for an undelivered element, all revenue for the arrangement is deferred until the earlier of the point at which VSOE does exist or all elements of the arrangement have been delivered unless the undelivered elements are post contract customer support arrangements in which case the revenue is recognized on a straight line basis, or in the case of services, the arrangement revenue is recognized as the services are provided.

Software license revenue is recognized after delivery and acceptance by clients in accordance with the terms of each contract. Revenue derived from the sale of support and maintenance service contracts is recognized on a straight-line basis over the term of the contract. The unearned portion of the contract is reported as deferred revenue.

The Company recognizes revenue from implementation and consulting fees for services rendered during the initial support and maintenance period, upon completion of the initial period. The remaining implementation and consulting services fees are recognized as services are rendered.

QHR TECHNOLOGIES INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory consists of computer hardware and is valued at the lower of cost, determined on a first in - first out basis, and net realizable value.

Cash and cash equivalents

All highly liquid investments with an original maturity date of three months or less at the date of purchase are classified as cash and cash equivalents.

Property and equipment

Property and equipment are recorded at cost. The Company provides for amortization using the straight-line method over the estimated useful lives of the depreciable assets as follow:

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

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the 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.

Intangible assets

Intangible assets are recorded at cost and are amortized on the straight-line basis over their economic lives as follows:

Developed technology	5 years
Contracted development	3 years
Customer relationships	3 to 10 years
Acquired technology	3 to 7 years

The Company's intangible assets consist of values attributed to developed technology, contracted development, customer relationships, and acquired technology resulting from acquisitions (Note 5). The cost associated with the development of internally produced proprietary software is recorded as either developed technology or contracted development. Software in development is amortized upon commercial release of the software. Management annually assesses the carrying value of intangible assets by considering current operating results, trends and prospects to indicate whether there is impairment in the carrying value. If impairment is indicated, a comparison is made of the asset's net book value to its undiscounted cash flows. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment charge is measured and based on discounted cash flows. Future cash flows are estimated based on estimated future margins of the services related to the intangible assets.

Goodwill

Goodwill is the amount by which the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on fair values. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate the value of the assets might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared to its fair value. When the fair value of a reporting unit exceeds its carrying value, then the goodwill of the reporting unit is considered to be not impaired and the second step is not required. The second step of the impairment test is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

of the reporting unit's goodwill is compared to its carrying amount to measure the amount of impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in net income for the period in an amount equal to the excess.

Financial instruments

Financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, whether part of a hedging relationship or not, are measured at fair value on the balance sheet at each reporting date. Other financial instruments are measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

- Cash is classified as financial assets held for trading and is measured at fair value.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities, promissory notes payable and long-term debt are classified as other liabilities and are measured at amortized cost using the effective interest rate method.

Comprehensive income

Comprehensive income requires the presentation of comprehensive income and its components in a financial statement. Comprehensive income includes net earnings and other comprehensive income (OCI). The Company had no OCI transactions during the year and no opening or closing balances for accumulated OCI.

Impairment of long-lived assets

Management regularly reviews the carrying value of property and equipment and intangible assets for potential impairment, considering events or changes in circumstances indicating that the carrying value may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the potential of its future estimated undiscounted cash flows. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset and is charged against earnings in the year such impairment occurs.

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 the criteria under Canadian GAAP 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.

Investment tax credits and government assistance

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

Government assistance is recorded as a reduction of expenses when the Company has complied with all conditions necessary to receive the grants, collectability is reasonably assured and the related or carrying cost of amounts are not repayable.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Stock-based compensation**

The Company has a stock-based compensation plan as disclosed in Note 14(c) whereby stock options are granted in accordance with the policies of applicable regulatory authorities. Any consideration paid by employees and directors upon the exercise of stock options is recorded as share capital. The Company records stock-based compensation based on the estimated fair market value of the stock options granted over the estimated vesting period of the stock options.

Basic and diluted earnings per share

Basic earnings per share are computed by dividing earnings by the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution that would occur if dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the "treasury stock" method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations is anti-dilutive.

Income taxes

The Company accounts for income taxes using the liability method. Under this method, future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of existing 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 they can be realized. The effect on future income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at year-end exchange rates. Non-monetary items are translated at historical exchange rates. Income and expense items are translated at the exchange rates in effect on the date of the transaction. Resulting exchange gains or losses are included in earnings when incurred.

Comparative Figures

Comparative figures have been reclassified where necessary to be consistent with the presentation adopted in the current year.

3. CHANGES IN ACCOUNTING POLICIES**Financial Instruments – Disclosures**

In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments – Disclosures" in order to harmonize Section 3862 with International Financial Reporting Standards Section 7 – Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value and expand disclosures about fair value measurements. According to Section 3862, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These standards apply to interim and annual consolidated financial statements relating to fiscal years ending after September 30, 2009. The disclosures required as a result of these amendments are included in Note 16.

4. FUTURE ACCOUNTING CHANGES

Convergence with International Financial Reporting Standards

The Accounting Standards Board of the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Early conversion to IFRS for fiscal years beginning on or after January 1, 2009 will also be permitted.

When implemented, IFRS will have an impact on accounting, financial reporting and supporting IT systems and processes. It may also have an effect on taxes; contractual commitments involving GAAP based clauses, long-term employee compensation plans and performance metrics. The Company is currently developing an IFRS implementation plan. Part of the implementation plan is to review contracts and agreements, and to increase the level of awareness and knowledge amongst management, the Board of Directors and the Audit Committee. As at December 31, 2009, a preliminary review of the Company's consolidated financial statements has been performed to determine potential impact of IFRS adoption. This review has identified the following primary areas that may be impacted by IFRS conversion: Revenue Recognition, Intangible Assets, Goodwill, Property and Equipment, and Leases. Accounting for Income Taxes and Stock Based Compensation is expected to be affected but the impact has not yet been analyzed.

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581 of the same name. The new section will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Section 1582, which provides the Canadian equivalent to International Financial Reporting Standard 3, Business Combinations (January 2008), establishes standards for the accounting for a business combination. Section 1582 requires business acquisitions (including non-controlling interests and contingent consideration) to be measured at fair value on the acquisition date, generally requires acquisition-related costs to be expensed, requires gains from bargain purchases to be recorded in net earnings, and expands the definition of a business. As Section 1582 will apply only to future business combinations, it will not have a significant effect on the Company's consolidated financial statements prior to such acquisitions.

Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which together replace the existing Section 1600, Consolidated Financial Statements, and provide the Canadian equivalent to International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). The new sections will be applicable to the Company on January 1, 2011. Section 1601 establishes standards for the preparation of consolidated financial statements, and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is assessing the impact, if any, of the adoption of these new sections on its consolidated financial statements.

Credit Risk and Fair Value of Financial Assets and Financial Liabilities

Effective January 1 2009, the Company adopted EIC Abstract 173, "Credit Risk and Fair Value of Financial Assets and Financial Liabilities". This abstract requires that credit risk be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this abstract did not result in a material impact on the Company's consolidated financial statements.

Arrangements with Multiple Deliverables

EIC-175, "Arrangements with Multiple Deliverables", was issued in December 2009 and is an amendment to EIC-142, "Arrangements with Multiple Deliverables". The revised guidance changes the determination of separate units of account and the allocation of the consideration to the deliverables. Additional disclosure requirements will be required not only for the transition adjustments but also thereafter for all significant multiple-element arrangements. The criteria for identifying all deliverables in a multiple-element arrangement that represent separate units of accounting have been simplified. Entities are no longer required to have objective and reliable evidence of fair value of the undelivered item for a deliverable to qualify as a separate unit of accounting. EIC-175 is effective for revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this section.

QHR TECHNOLOGIES INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008

4. FUTURE ACCOUNTING CHANGES (continued)

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855 "Financial Instruments-Recognition and Measurement" was amended April 2009. Paragraphs were added and amended regarding the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this section.

5. BUSINESS COMBINATIONS

Momentum Finance Division

On January 19, 2009 the Company announced that it was acquiring the financial software division of Momentum Healthcare Inc. ("Momentum" or "the Division"). The effective date of the acquisition was January 15, 2009, and the results of Momentum have been included in the Company's consolidated financial statements since that date. Consideration for the purchase was \$5,000,000, less an adjustment for working capital of \$450,000, for net consideration of \$4,550,000. A deposit of \$250,000 was made in December 2008, a payment of \$1,300,000 was made on closing, and the balance of \$3,000,000 was paid on April 8, 2009. Terms of the purchase included additional cash payments in the event defined levels of product sales to certain customers were met during the ensuing two year period. There were no such payments in 2009. Management estimates that in 2010 such payments, if any, will not exceed \$50,000. If payments are required under this term of the purchase agreement then the additional consideration issued will be accounted for as additional goodwill when payable.

To partially finance the transaction, the Company secured three year term loans totaling \$1,145,000 bearing an interest rate of 12% per annum. In addition to interest, lenders received 200 common shares of QHR for each \$1,000 of loan principal. The Company issued 229,000 common shares valued at \$62,134 in conjunction with this financing. Certain related parties including directors, senior management and their immediate family members provided \$850,000 of the \$1,145,000 financing (Note 19). The balance of these loans outstanding as at December 31, 2009 was \$736,749, of which \$490,000 was the amount owed to the related parties. The Company financed the balance of the acquisition cost from working capital and short-term loans of \$950,000 from certain directors at an interest rate of 20% per annum. These short-term loans were fully repaid in the second quarter of 2009.

The Division provides customized financial software to medium and large healthcare facilities, the same market segment that QHR targets with its payroll, scheduling and human resource management software.

The acquisition was accounted for using the purchase method, where the assets acquired and liabilities assumed were recorded at their estimated fair values as of the date of acquisition. Details of the consideration given and of the fair values of net assets acquired are as follows:

Cash consideration	\$4,550,000
Legal and other purchase costs	61,371
Purchase price	\$ 4,611,371
Assets and liabilities acquired at fair values	
Current assets	\$467,347
Property and equipment	9,510
Customer relationships	1,981,000
Acquired technology	1,092,000
Deferred revenue	(1,147,000)
Goodwill	2,208,514
	\$4,611,371

The goodwill that is expected to be deductible for income tax purposes is approximately \$1,650,000.

QHR TECHNOLOGIES INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008

5. BUSINESS COMBINATIONS (continued)

Clinicare Corporation

On December 8, 2009, the Company announced that it had made an offer to acquire 100 percent of the outstanding common shares of Clinicare Corporation ("Clinicare"), a privately held company incorporated in Alberta. As at December 31, 2009, the Company had acquired 100% of Clinicare Class A common shares and 57.6% of Clinicare Class B common shares and subsequent to year end the Company acquired the remaining Class B common shares. The acquisition was effective December 1, 2009 and the results of Clinicare have been included in the Company's consolidated financial statements since that date. Clinicare provides electronic medical records (EMR) software to the electronic medical records market.

To partially fund the transaction, in addition to funding ongoing expansion, the Company secured a \$1,000,000 four year term loan at an interest rate of 14% per annum from the Southern Interior Development Initiative Trust (Note 12). To finance the balance of the transaction the Company issued promissory notes for \$3,800,000. These promissory notes were subsequently adjusted to \$3,205,174 to reflect the final purchase price. The promissory notes bear interest at 10% per annum with 2/3 of the principal repayable on January 3, 2010 and the balance repayable on February 2, 2010. Interest rates on any unpaid portion of the notes escalate at a rate of 1% per week if overdue, to a maximum of 25%, until paid in full. At the option of the note holder, repayment could be made by cash or common shares of the Company at a price of \$0.65 per share. The promissory notes are secured by a guarantee of Clinicare Corporation and a security interest on the annual billings of Clinicare Corporation to its customers for 2010 support and maintenance proceeds. As of the date of this report the remaining balance of the notes was approximately \$1,200,000 and the Company expects to repay the balance in May 2010.

The acquisition was accounted for using the purchase method where the assets acquired and the liabilities assumed were recorded at their fair value as of the date of the acquisition. Details of the consideration given and of the fair values of net assets acquired are as follows:

Cash consideration	\$250,000
Promissory notes payable	3,205,174
Legal and other purchase costs	157,000
Purchase price	\$3,612,174
Assets and liabilities acquired at fair values	
Current assets	933,100
Current liabilities	(2,097,457)
Property and equipment	231,262
Acquired technology	528,000
Customer relationships	4,072,000
Deferred Revenue	(400,000)
Goodwill	345,269
Net assets acquired	\$3,612,174

The amount of goodwill is not deductible for income tax purposes.

Clinicvault Inc.

On September 1, 2008, the Company acquired 100 per cent of the outstanding common shares of Clinicvault Inc. ("Clinicvault"), a privately held company incorporated in Alberta that provides data hosting services to the electronic medical records market. The results of Clinicvault have been included in the Company's consolidated financial statements since that date.

The Company issued 600,000 common shares of the Company valued at \$120,000 based on the average price of the Company's shares in the days before and after the announcement of the acquisition. In addition the Company assumed debt of \$391,017 and incurred legal and other purchase costs of \$17,757 resulting in a total purchase price of \$528,774.

QHR TECHNOLOGIES INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008

5. BUSINESS COMBINATIONS (continued)

The Clinicvault acquisition was accounted for using the purchase method where the assets acquired and the liabilities assumed were recorded at their fair value as of the date of the acquisition. Details of the consideration given and of the fair values of net assets acquired are as follows:

Shares issued (Note 14)	\$ 120,000
Long term debt	391,017
Legal and other purchase costs	17,757
Purchase price	\$ 528,774
Assets and liabilities acquired at fair values	
Current assets	\$ 140,958
Current liabilities	(177,303)
Bank indebtedness assumed	(4,803)
Property and equipment	219,077
Customer relationships	44,000
Goodwill	306,845
Net assets acquired	\$ 528,774

The goodwill is not deductible for income tax purposes.

6. INVESTMENT TAX CREDITS RECEIVABLE

In 2009, the Company acquired Clinicare Corporation ("Clinicare") which included outstanding claims for Scientific Research and Experimental Development (SRED) for the eleven month period ended November 30, 2009. Clinicare was a Canadian Controlled Private Corporation at that date and as such would be entitled to a cash refund for investment tax credits arising from approved expenditures. In 2009, the expected refund of \$579,092 and the consulting fees of \$51,902 payable to the firm that managed the claim were included in the summary of assets and liabilities acquired in the Clinicare Corporation business combination (Note 5).

7. COST OF GOODS SOLD

As a result of business acquisitions made during 2009 (Note 5), the Company's business activities now include the sale of computer hardware and third party software and as such, the Company has recorded the cost of these items as Cost of Goods Sold on the Consolidated Statement of Operations, Comprehensive Income and Deficit.

8. NON-CURRENT ACCOUNTS RECEIVABLE

	2009	2008
Accounts receivable relating to long-term contracts with health care organizations	\$ 119,062	\$ 231,965
Accounts receivable relating to data hosting clients	98,165	-
	217,227	231,965
Less current portion	(134,353)	(122,302)
Total non-current accounts receivable	\$ 82,874	\$ 109,663

The non-current accounts receivable relating to long-term contracts with health care organizations are unsecured and non-interest bearing. The book value of the receivables at December 31, 2009 was \$224,328 less an effective interest rate adjustment of \$7,101 for a net value of \$217,227. The book value of the receivables at December 31, 2008 was \$248,465 less an effective interest rate adjustment of \$16,500 for a net value of \$231,965.

The accounts receivable relating to data hosting clients are secured by certain computer equipment and bear interest at 12% per annum.

QHR TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

9. PROPERTY AND EQUIPMENT

2009	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$ 307,024	\$ 179,931	\$ 127,093
Office Equipment	196,541	153,847	42,694
Computer – hardware	2,153,311	1,339,453	813,858
Computer – software	541,776	410,641	131,135
Leasehold improvements	554,146	361,114	193,032
Vehicles	15,400	15,400	-
	\$ 3,768,198	\$ 2,460,386	\$ 1,307,812

At December 31, 2009 the cost and net book value of capital assets acquired under capital lease obligations are \$1,255,675 and \$684,383 respectively.

2008	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$ 102,897	\$ 40,156	\$ 62,741
Office Equipment	97,746	58,836	38,910
Computer – hardware	932,192	542,326	389,866
Computer – software	230,694	171,747	58,947
Leasehold improvements	255,299	139,821	115,478
	\$ 1,618,828	\$ 952,886	\$ 665,942

At December 31, 2008 the cost and net book value of capital assets acquired under capital lease obligations are \$474,261 and \$261,585, respectively.

10. GOODWILL

2009	EMR Division	EMS Division	Total
Balance, beginning of year	\$ 365,398	\$ -	\$ 365,398
Business acquisitions (Note 5)	345,269	2,208,514	2,553,783
Balance, end of year	\$ 710,667	\$ 2,208,514	\$ 2,919,181

2008	EMR Division	EMS Division	Total
Balance, beginning of year	\$ 58,553	\$ -	\$ 58,553
Business acquisitions (Note 5)	306,845	-	306,845
Balance, end of year	\$ 365,398	\$ -	\$ 365,398

11. INTANGIBLE ASSETS

2009	Cost	Accumulated Depreciation	Net
Amortized intangible assets			
Customer relationships	\$ 7,126,000	\$ 500,103	\$ 6,625,897
Acquired technology	2,192,500	841,219	1,351,281
Developed technology	864,101	79,433	784,668
Contract development	91,897	28,080	63,817
	\$ 10,274,498	\$ 1,448,835	\$ 8,825,663

QHR TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

11. INTANGIBLE ASSETS (continued)

2008	Cost	Accumulated Depreciation	Net
Amortized intangible assets			
Customer relationships	\$ 1,073,000	\$ 265,382	\$ 807,618
Acquired technology	572,500	572,500	-
Developed technology	469,040	26,420	442,620
	2,114,540	864,302	1,250,238
Unamortized intangible assets			
Trademark	6,009	-	6,009
	\$ 2,120,549	\$ 864,302	\$1,256,247

Included in service cost is \$93,766 related to intangible assets written off during 2009. Substantially all of this write off pertains to technology that management will no longer pursue the development of.

12. LONG-TERM DEBT

	2009	2008
Landlord term loan, repayable at \$1,513 per month including interest at 8% per annum. The loan was unsecured and was repaid during 2009.	\$ -	\$ 64,721
Community Futures loan dated August 1, 2007, repayable in 42 monthly installments of \$2,045 including interest at 8.5% per annum. The loan is secured by a general security agreement.	22,730	44,373
Harbourfront Holdings, interest only payments at 10% interest per annum, with principal due and payable by April 15, 2010. The loan was secured by a general security agreement subordinated to the Community Futures loan but ranking pari passu with the loan from UL Capital Corp and was repaid in April 2010.	100,000	100,000
UL Capital Corp, principal of \$190,000 less \$9,000 adjustment to fair value in respect of the interest free portion of the loan, repayable starting December 1, 2008 at \$10,000 per month plus interest, and continuing each month until repaid in full. The interest rate was 0% per annum until August 31, 2009 and became 8% per annum effective September 1, 2009. The loan is secured by a general security agreement subordinated to the Community Futures loan but ranking pari passu with the loans from Harbourfront Holdings.	70,000	181,000
Southern Interior Development Initiative Trust loan dated October 28, 2009, repayable in 48 blended monthly installments of \$27,326, including interest at 14% per annum compounded monthly, commencing November 1, 2009. The loan is secured by a general security agreement subordinated to the Momentum acquisition loans and Dell Financial Services Canada Limited capital leases.	984,340	-
Momentum acquisition loans, dated January 15, 2009, maturing January 15, 2012, including interest at 12% per annum compounded quarterly, payable monthly and bonus interest of 200 common shares of the Company for each \$1,000 of amount loaned (Note 14). The loans are secured by a general security agreement. The company has the right to prepay the loans prior to maturity by payment of one month of additional interest.	736,749	-
	1,913,819	390,094
Less current portion	(395,526)	(146,290)
	\$ 1,518,293	\$ 243,804

QHR TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

12. LONG-TERM DEBT (continued)

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2009 are estimated as follows:

2010	\$ 395,526
2011	233,082
2012	1,004,640
2013	280,571
2014	-
	<u>\$ 1,913,819</u>

13. CAPITAL LEASE OBLIGATIONS

Capital lease obligations are payable in monthly installments with interest at 8% to 14.9% per annum, to July 2013, secured by certain computer equipment.

	2009	2008
2009	\$ -	\$ 120,196
2010	406,667	103,964
2011	255,848	37,956
2012	133,052	-
2013	48,930	-
Total minimum lease payments	844,497	262,116
Lease amount representing interest	102,858	32,098
Present value of net minimum capital lease payments	741,639	230,018
Current portion of capital lease obligations	(366,659)	(99,061)
	<u>\$ 374,980</u>	<u>\$ 130,957</u>

14. SHARE CAPITAL

Authorized Unlimited common shares without par value
Unlimited Class A Preference shares

Issued

	2009		2008	
	Number	Amount	Number	Amount
Balance, beginning of year	22,395,759	\$ 7,213,514	21,795,759	\$ 7,066,039
Issued on acquisition of Clinicvault (Note 5)			600,000	120,000
Issued with Momentum acquisition Loans (Note 5)	229,000	62,134	-	-
Issued on acquisition of assets from SEBO Systems Inc Note 14(b)	700,000	425,600	-	-
Expiry of purchase warrants (Note 14(d))	-	-	-	48,650
Warrants extension (Note 14(d))	-	(19,796)	-	(21,175)
For cash:				
– Pursuant to private placement at \$0.50 (Note 14(a))	2,000,000	1,000,000	-	-
Less: value of warrants	-	(342,000)	-	-
– Pursuant to private placement at \$0.60 (Note 14(a))	1,250,000	750,000	-	-
Less: value of warrants	-	(143,563)	-	-
Share issued costs for private placement		(33,791)		
Warrants Exercised (Note 14(d))	1,468,500	628,371		
Options Exercised (Note 14(c))	45,250	18,813		
Balance, end of year	28,088,509	\$ 9,559,282	22,395,759	\$ 7,213,514

QHR TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

14. SHARE CAPITAL (continued)

(a) Private placements

On June 10, 2009 the Company completed a private placement financing comprised of a total of 2,000,000 units of the Company at a price of \$0.50 per unit for total gross proceeds of \$1,000,000. Each unit consists of one common share of the Company and one non-transferable share purchase warrant entitling the holder to acquire one additional common share of the Company exercisable at a price of \$0.60 within one year of the purchase date or \$0.70 within two years of the purchase date.

On November 30, 2009 the Company completed a private placement financing comprised of a total of 1,250,000 units of the Company at a price of \$0.60 per unit for total gross proceeds of \$750,000. Each unit consists of one common share of the Company and one half of one share purchase warrant. One whole warrant entitles the holder to purchase one additional common share of the Company exercisable at a price of \$0.75 for a period of one year from the purchase date.

(b) SEBO Systems Inc. asset acquisition

During 2009, the Company acquired certain assets from SEBO Systems Inc. consisting of accounts receivable of \$98,165 and capital assets of \$327,435. These assets were acquired through the issuance of 700,000 of the Company's common shares valued at \$425,600.

(c) Stock-based compensation plan

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

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

The Company has granted employees, directors and certain consultants common share purchase options. A summary of the status of the stock option plan as of December 31, 2009 and December 31, 2008 and changes during the years ending on those dates is presented below.

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	1,000,000	\$0.25	100,000	\$0.70
Granted	1,200,000	\$0.45	1,000,000	\$0.25
Forfeited	(83,750)	\$0.25	-	-
Exercised	(45,250)	\$0.25	(100,000)	\$0.70
Options outstanding, end of year	2,071,000	\$0.37	1,000,000	\$0.25

QHR TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

14. SHARE CAPITAL (continued)

(c) Stock-based compensation plan (continued)

The options outstanding at December 31, 2009 expire as follows:

Expiry Date	Number of Shares Optioned	Weighted Average Remaining Contractual Life (months)	Weighted Average Exercise Price	Number of Shares Optioned that are Vested	Weighted Average Exercise Price of Vested Options
December 31, 2010	100,000	12	\$ 0.25	100,000	\$ 0.25
July 31, 2013	1,271,000	43	0.25	794,395	0.25
October 21, 2014	700,000	59	0.60	-	-
	2,071,000	47	\$ 0.37	894,375	\$ 0.25

The fair value of the options issued in the year was determined using the Black-Scholes option pricing model with the following assumptions:

	100,000	400,000	700,000
Risk-free rate	1.41%	2.08%	1.98%
Expected volatility	70.4%	62.4%	64.40%
Life of warrant	23 months	54 months	60 months
Dividend yield	0%	0%	0%

(d) Warrants

	2009		2008	
	Number	Value	Number	Value
Warrants outstanding , beginning of year	1,750,000	\$21,175	1,750,000	\$48,650
Warrants exercised	(1,468,500)	(40,971)		
Issued pursuant to June 30, 2009 private placement	2,000,000	342,000		
Issued pursuant to November 30, 2009 private placement	625,000	143,563		
Expiry of warrants	(281,500)	(7,854)		(48,650)
Warrants extension		19,796		21,175
Warrants outstanding , end of year	2,625,000	\$477,709	1,750,000	\$21,175

The fair value of the extension of the warrants was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free rate	1.21%
Expected volatility	85.40%
Life of warrant	3.4 months
Dividend yield	0%

The fair value of the warrants issued pursuant to the private placements was determined using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2009	November 30, 2009
Risk-free rate	1.48%	1.33%
Expected volatility	78.70%	77.90%
Life of warrant	24 months	24 months
Dividend yield	0%	0%

QHR TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

15. CONTRIBUTED SURPLUS

	2009	2008
Contributed surplus, beginning of year	\$ 21,606	\$ 7,784
Stock-based compensation	109,705	13,822
Warrants expired	7,854	-
Options exercised	(5,000)	-
Contributed surplus, end of year	\$ 134,165	\$ 21,606

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, long-term debt, promissory notes payable and capital lease obligations. The fair values of current accounts receivable and accounts payable and accrued liabilities approximate their carrying values as they are short-term in nature. The estimated fair value of the non-current accounts receivable, long-term debt, promissory notes payable and capital lease obligations approximates its carrying value based on the discounted cash flows at market rates.

CICA Handbook Section 3862, Financial Instruments – Disclosures establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values. The Company's financial instruments at December 31, 2009 are classified as "Level One – Quoted prices in active markets" and consist of cash.

Carrying value and fair value of financial assets and liabilities as at December 31, 2009 and 2008 are summarized as follows:

	2009		2008	
	Carrying value	Fair value	Carrying value	Fair value
Held for trading				
Cash	\$ 1,037,609	\$ 1,037,609	\$ 98,634	\$ 98,634
Loans and receivables				
Accounts receivable	2,206,851	2,206,851	1,255,556	1,255,556
Accounts receivable – non-current	82,874	82,847	109,663	109,663
Other financial liabilities				
Accounts payable and accrued liabilities	3,677,267	3,677,267	874,236	874,236
Promissory note payable	3,205,174	3,205,174	-	-
Long-term debt	1,913,819	1,913,819	390,094	390,094

Credit risk

The Company's credit risk is primarily attributable to accounts receivable. Accounts receivable shown on the consolidated balance sheet is net of provision for bad debts, estimated by management based on prior experience and its assessment of the current economic environment. The Company believes that the credit risk of accounts receivable is limited because of the nature of the services the Company provides and the nature of its clients. The Company provides its services almost entirely to the health care/social services sector that is financed by governments and the majority of clients pay for services in advance.

The Company's aging of accounts receivable is as follows:

	2009	2008
Current	\$ 1,030,640	\$ 724,083
Over 30 days	486,987	290,666
Over 60 days	239,488	155,205
Over 90 days	521,260	105,602
Allowance for doubtful accounts	(71,524)	(20,000)
	\$ 2,206,851	\$ 1,255,556

QHR TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by continuously monitoring and reviewing both actual and forecasted cash flows to maintain adequate cash and cash equivalent balances.

A significant part of the Company's cash flow is from recurring revenue that is received annually in advance from healthcare organizations, thus providing the Company with working capital. The following table summarizes the Company's financial liabilities and the remaining contractual maturities.

Contractual obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	\$ 1,913,819	\$ 395,526	\$ 1,518,293	\$ -	\$ -
Accounts payable and accrued liabilities	3,677,266	3,677,266	-	-	-
Promissory notes payable	3,205,174	3,205,174	-	-	-
Capital lease obligations	844,497	406,667	388,900	48,930	-
Total contractual obligations	\$ 9,640,756	\$ 7,684,633	\$ 1,907,193	\$ 48,930	\$ -

Interest rate risk

Interest risk is the risk that the future cash flows or fair values of the Company's financial instruments fluctuate because of changes in market interest rates. At December 31, 2009 the Company owed fixed rate debt that largely matures within one to three years. The Company expects to retire this debt from operating cash flow and management has concluded that the Company does not have interest rate risk because liabilities bear fixed interest rates.

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. Less than 2% of revenue is transacted in US dollars and the Company is exposed to foreign exchange risk thereon. The impact of future rate fluctuations cannot be predicted with certainty; however, the Company's exposure to fluctuations in the United States dollar is small since the Company has minimal financial assets or liabilities denominated in currencies other than the Canadian dollar.

17. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

- Maintain financial flexibility to provide adequate funding of operations and to meet financial obligations, including debt servicing payments;
- Preserve financial flexibility to benefit from potential opportunities as they arise; and
- Deploy capital to provide an appropriate investment return to its shareholders.

The Company includes shareholders' equity, lease financing, promissory notes payable and long-term debt in the definition of capital. The Company's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives set out above and to be responsive to changes in economic conditions.

The Company is not subject to externally imposed capital requirements, including debt covenants, and there were no changes in the Company's approach to capital management during the year.

Capital is comprised of:

	2009	2008
Shareholders' equity	\$ 6,108,403	\$ 1,839,305
Lease financing	741,639	113,018
Promissory notes payable	3,205,174	-
Long term debt	1,913,819	390,094
	\$ 11,969,035	\$ 2,342,417

QHR TECHNOLOGIES INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008

18. LEASE COMMITMENTS

As of December 31, 2009, the Company has various operating leases, primarily office rent, with remaining terms of more than one year. These leases have minimum annual lease commitments as follows:

2010	\$	645,723
2011		538,438
2012		524,149
2013		349,031
2014		228,988
Thereafter		46,877
		<u>\$ 2,333,206</u>

Subsequent Facilities Lease

On February 25, 2010 the Company entered into a lease agreement to rent an additional 10,314 square feet of office space in Kelowna, British Columbia in order to accommodate requirements due to its expanding business. The term of the lease is for 36 months from April 1, 2010 to March 31, 2013. The minimum annual lease commitments under this lease are as follows.

2010	\$	156,567
2011		244,597
2012		249,702
2013		62,580
2014		-
Thereafter		-
		<u>\$ 713,446</u>

To finance the required tenant improvements for this additional space, the Company entered into an agreement with the Landlord for a loan of \$86,308, with interest at 8% per annum and 35 monthly payments of principal and interest of \$2,770 commencing May 1, 2010 and ending March 31, 2013.

19. RELATED PARTY TRANSACTIONS

During 2009 the Company engaged in the following related party transactions with directors, officers and private companies with common directors with the Company and/or a significant shareholder:

- Consulting fees of \$29,500 were paid to a company owned by an officer of the Company. The officer joined the Company during 2009 and the fees related to completion of a prior consulting engagement.
- On January 27, 2009 the Company received three-year term loans of \$1,145,000, of which \$850,000 was from related parties including certain directors and senior management and their immediate families (Notes 5 and 12). The loans bear interest at 12% per annum plus bonus interest of 200 common shares of the Company for each \$1,000 of amount loaned. The balance of these loans outstanding as at December 31, 2009 was \$736,749, of which \$490,000 was the amount owed to the related parties. For the year ended December 31, 2009 total interest paid or accrued on the loans to these related parties was \$89,592.
- On March 3, 2009 a director loaned the Company \$250,000 bearing interest at 20% per annum, which was repaid on April 15, 2009. Total interest paid on this loan, including a prepayment fee, was \$6,301.
- On March 9, 2009, a director loaned the Company \$500,000 bearing interest at 20% per annum, which was repaid on March 30, 2009. Total interest paid on this loan, including a prepayment fee, was \$8,333.

QHR TECHNOLOGIES INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008

19. RELATED PARTY TRANSACTIONS (continued)

- On April 7, 2009 a director loaned the Company \$700,000 bearing interest at 20% per annum, \$500,000 of which was repaid on April 17, 2009 and \$200,000 of which was repaid on June 1, 2009. Total interest paid on these loans, including a prepayment fee, was \$11,666.

Related party transactions are measured at the exchange amount which is the amount agreed by the transacting parties.

The Company did not engage in any related party transactions during 2008.

20. INCOME TAXES

Non-capital tax loss carry forwards

At December 31, 2009, the Company and its subsidiaries have accumulated non-capital losses totalling approximately \$6,627,000 which may be applied against future years' taxable income.

These losses expire approximately as follows:

December 31,	2010	\$	50,000
	2014		676,000
	2015		761,000
	2022		314,000
	2026		1,423,000
	2027		1,506,000
	2028		944,000
	2029		1,267,000
		\$	6,941,000

Investment tax credits on SRED expenditures carry forwards

At December 31, 2009, the Company and its subsidiaries have accumulated Investment Tax Credits ("ITCs") totaling \$697,406 (December 31, 2008 - \$258,797) which may be applied against future years' taxable income.

SRED expenditure pool carry forwards

At December 31, 2009, the Company and its subsidiaries have accumulated an SRED expenditures pool of \$3,990,319 (December 31, 2008 - \$1,375,211) which may be applied against future years' taxable income. The pool may be carried forward indefinitely.

Future income taxes

The tax effects of temporary differences and tax loss carry forwards that give rise to significant portions of future income tax assets and future income tax liabilities are as follows:

	2009	2008
Non-capital loss carry forwards	\$ 1,805,000	\$ 1,207,000
Capital assets	240,000	187,000
Intangible assets	(836,000)	(50,000)
SRED credit carry forwards	856,000	314,000
	2,065,000	1,658,000
Valuation allowance	(2,065,000)	(1,658,000)
	\$ -	\$ -

QHR TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

20. INCOME TAXES (continued)

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory tax rates of 30.0% (2008 – 31.0%) to net earnings (loss) before income taxes for the following reason:

	2009	2008
Computed tax expense	\$ 406,000	\$ 63,000
Effect of change in tax rate	267,000	133,000
Tax pools acquired in business combinations	(1,031,000)	(49,000)
Other	(49,000)	(62,000)
Change in valuation allowance	407,000	(85,000)
	\$ -	\$ -

21. SEGMENTED INFORMATION

The Company has two reportable segments. The Enterprise Management Software (“EMS”) division, formerly the HR division, specializes in Workforce Management Software and Financial Management Software targeted at medium to large healthcare and social services organizations. The Electronic Medical Records (“EMR”) division provides applications for use in physician’s medical offices. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

2009	EMS	EMR	Total
Revenues	\$ 10,216,655	\$ 3,606,339	\$ 13,822,994
Operating expenses	6,052,664	3,231,540	9,284,204
Earnings before the undernoted	4,163,991	374,799	4,538,790
Stock-based compensation expense	86,344	23,361	109,705
Amortization of property and equipment	199,417	175,085	374,502
Amortization of intangible assets	397,903	186,630	584,533
Interest expense	281,452	36,922	318,374
(Gain) loss on foreign exchange	4,015	(1,545)	2,470
Earnings (loss) before corporate expenses	\$ 3,194,860	(45,654)	3,149,206
Corporate expenses			1,794,969
Net earnings			\$ 1,354,237
Goodwill	2,208,514	\$ 710,667	\$ 2,919,181
Property and equipment	\$ 548,615	\$ 759,196	\$ 1,307,812

2008	EMS	EMR	Total
Revenues	\$ 4,315,181	\$ 2,206,183	\$ 6,521,364
Operating expenses	3,292,210	1,722,190	5,014,400
Earnings before the undernoted	1,022,971	483,993	1,506,964
Amortization of property and equipment	151,337	53,090	204,427
Amortization of intangible assets	22,806	103,614	126,420
Interest expense	25,527	9,370	34,897
(Gain) loss on foreign exchange	(6,536)	1,325	(5,211)
Earnings before corporate expenses	\$ 829,837	316,594	1,146,431
Corporate expenses			892,804
Net earnings			\$ 253,627
Goodwill	-	\$ 365,398	\$ 365,398
Property and equipment	\$ 345,217	\$ 320,725	\$ 665,942

QHR TECHNOLOGIES INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008

21. SEGMENTED INFORMATION (continued)

Sales to customers in geographic regions are as follows:

	2009	2008
Canada	\$ 13,604,745	\$ 6,344,761
United States	218,249	176,603
Total revenue	\$ 13,822,994	\$ 6,521,364

All of the Company's property and equipment are located in Canada.

22. SUBSEQUENT EVENT

Private Placement

On March 25, 2010, the Company completed a non-brokered private placement of 1,600,000 units with each unit priced at \$0.65 and consisting of one common share and one half non-transferable share purchase warrant. One warrant will entitle the holder to purchase one additional common share of the Company exercisable at a price of \$0.75 until March 16, 2012. The private placement yielded proceeds of \$1,040,000 less \$6,500 paid to one finder in connection with the private placement. All securities issued in connection with this private placement are subject to a four-month hold period expiring July 17, 2010. The Company proposes to use the proceeds of the private placement for general working capital purposes and to reduce its debt related to the recent acquisition of Clinicare Corporation (Note 5).