QHR Technologies Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited) Three Months Ended March 31, 2013

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

	Notes	**March 31, 2013**	December 31, 2012
ASSETS			
Current Assets			
Cash		$ 1,981,092	$ 1,592,896
Accounts receivable	4	6,993,180	4,175,230
Income tax receivable		96,768	96,818
Inventory		19,378	7,641
Prepaid expenses and deposits		1,016,775	999,459
		10,107,193	6,872,044
Property and equipment	6	2,586,841	2,287,179
Deferred income taxes	14	2,830,431	2,948,606
Goodwill	7	5,600,645	5,580,641
Intangible assets	8	15,118,390	15,544,000
		$ 36,243,500	$ 33,232,470
LIABILITIES			
Current Liabilities			
Operating loan	15	$ 875,000	$ 975,000
Accounts payable and accrued liabilities		4,374,230	3,842,809
Promissory notes payable	9	483,495	483,495
Current portion of capital lease obligations	10	549,526	480,995
Current portion of long-term debt	11	1,057,399	1,271,837
Current liabilities before deferred revenue		7,339,650	7,054,136
Deferred revenue		6,858,435	4,446,935
		14,198,085	11,501,071
Deferred income taxes	14	157,962	211,136
Capital lease obligations	10	590,026	346,554
Long-term debt	11	1,067,027	1,240,886
		16,013,100	13,299,647
EQUITY			
Share capital	12	19,286,064	19,241,753
Contributed surplus	12	1,972,871	1,902,050
Accumulated other comprehensive income		29,652	(3,739)
Deficit		(1,058,187)	(1,207,241)
		20,230,400	19,932,823
		$ 36,243,500	$ 33,232,470
Commitments	17		
Contingencies	20		

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

On behalf of the Board of Directors,

"Al Hildebrandt"	*"Mark Kohler"*
Director	Director

QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(UNAUDITED)

Three months ended March 31	Notes	**2013**	2012
REVENUE		$ 8,441,933	$ 7,393,244
OPERATING EXPENSES			
Cost of goods sold		873,803	907,316
Service costs		2,650,219	2,464,696
Research and development		1,484,689	1,259,164
Sales and marketing		1,157,410	761,900
General and administrative		1,165,906	959,724
		7,332,027	6,352,800
Earnings before the following items		1,109,906	1,040,444
Stock-based compensation expense	12	85,132	33,265
Amortization of property and equipment	6	180,213	137,433
Amortization of intangible assets	8	562,329	475,193
Interest expense		79,528	52,084
Gain on investment		-	(88,426)
(Gain) loss on foreign exchange		(6,377)	262
		900,825	609,811
Earnings before income taxes		209,081	430,633
Provision for income taxes			
Deferred	14	60,027	166,179
		60,027	166,179
Net earnings		$ 149,054	$ 264,454
Other comprehensive income			
Exchange differences on translation of operations in currencies other than Canadian dollars		33,391	-
Total comprehensive income for the period		$ 182,445	$ 264,454
Basic earnings per share	13	$ 0.00	$ 0.01
Diluted earnings per share	13	$ 0.00	$ 0.01
Weighted average number of shares outstanding			
Basic	13	47,466,087	42,910,621
Diluted	13	47,721,847	43,364,239

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

QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(UNAUDITED)

	Issued Capital	Contributed Surplus	Warrants	Accumulated other comprehensive income	Deficit	Total Equity
January 1, 2013	$ 19,241,753	$ 1,902,050	$ -	$ (3,739)	$ (1,207,241)	$ 19,932,823
Net earnings for the period	-	-	-		149,054	149,054
Other comprehensive income	-	-	-	33,391		33,391
Total	19,241,753	1,902,050	-	29,652	(1,058,187)	20,115,268
Options exercised	44,311	(14,311)	-	-	-	30,000
Stock based compensation	-	85,132	-	-	-	85,132
March 31, 2013	$ 19,286,064	$ 1,972,871	$ -	$ 29,652	$ (1,058,187)	$ 20,230,400

	Issued Capital	Contributed Surplus	Warrants	Accumulated other comprehensive income	Deficit	Total Equity
January 1, 2012	$ 17,760,334	$ 1,029,980	$ 438,300	$ -	$ (1,642,620)	$ 17,585,994
Net earnings for the period	-	-	-	-	264,454	264,454
Total	17,760,334	1,029,980	438,300	-	(1,378,166)	17,850,448
Stock based compensation	-	33,265	-	-	-	33,265
March 31, 2012	$ 17,760,334	$ 1,063,245	$ 438,300	$ -	$ (1,378,166)	$ 17,883,713

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

QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(UNAUDITED)

Three months ended March 31	**2013**	2012
OPERATING ACTIVITIES		
Net earnings	$ 149,054	$ 264,454
Items not affecting cash		
Foreign exchange gain	(31,403)	-
Stock-based compensation	85,132	33,265
Amortization of property and equipment	180,213	137,433
Amortization of intangible assets	562,329	475,193
Gain on investment	-	(88,426)
Accretion on long-term debt	11,250	10,000
Deferred taxes	60,027	166,179
Changes in non-cash operating assets and liabilities		
Accounts receivable	(2,817,950)	(4,483,605)
Inventory	(11,737)	(48,716)
Prepaid expenses and deposits	(17,316)	(348,118)
Accounts payable and accrued liabilities	531,421	1,066,072
Income taxes	50	-
Deferred revenue	2,411,500	3,139,677
	1,112,570	323,408
INVESTING ACTIVITIES		
Purchase of property and equipment	(479,108)	(143,661)
Acquired under capital lease	463,455	24,844
Acquisition of intangible assets	(121,198)	(272,114)
	(136,851)	(390,931)
FINANCING ACTIVITIES		
Repayment of operating loan	(100,000)	-
Repayment of capital leases	(151,367)	(101,037)
Repayment of long-term debt	(399,547)	(382,356)
Exercise of options	30,000	-
	(620,914)	(483,393)
Effect of exchange rate changes	33,391	-
Increase in cash	388,196	(550,916)
Cash - beginning of period	1,592,896	2,043,637
Cash - end of period	$ 1,981,092	$ 1,492,721

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

1. Nature of Business

QHR Technologies Inc. is a public company whose shares are traded on the TSX Venture Exchange (TSXV: QHR) incorporated under the laws of British Columbia, Canada and its corporate office is Suite 300 – 1620 Dickson Avenue, Kelowna, British Columbia, Canada. The Company's principal business consists of the following:

- electronic medical records applications and hosting for physicians' medical offices;
- the development and delivery of human resource management, payroll, staff scheduling and financial software systems for healthcare organizations, social services and public safety sectors;
- revenue cycle management software solutions and transaction processing services to physicians, hospitals, health plans, insurance brokers and state governments to exchange information for health plan enrolment, eligibility and claims.

2. Basis of Preparation and statement of compliance with IFRS

These condensed interim consolidated financial statements, including comparatives, are expressed in Canadian dollars and have been prepared in accordance with *International Financial Reporting Standards* (IFRS) as issued by the *International Accounting Standards Board* (IASB).

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

The condensed interim consolidated financial statements for the three months ended March 31, 2013, including comparatives, have been approved and authorized for issue by the board of directors on May 16, 2013.

3. Significant Accounting Policies

The condensed interim consolidated financial statements have been prepared under the historical cost convention. The Company's principal accounting policies are outlined below:

a) Basis of Consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company and its wholly owned Canadian subsidiary, *QHR Software Inc.* and its subsidiaries located in the United States of America ("US"), *Chartcare Inc., Softcare Electronic Commerce (U.S.A) Inc. and i-Plexus Solutions Inc.* which consists of three operating divisions as follows:

Electronic Medical Records ("**EMR**") division,

Enterprise Management Solutions ("**EMS**") division, and

Revenue Cycle Management ("**RCM**") division. The RCM division consists of *Softcare Electronic Commerce (U.S.A) Inc. and i-Plexus Solutions Inc.* and the amalgamated entities (as further described below), of *Open EC Technologies Inc., Softcare EC Solutions Inc., SCEC Holdings Ltd. and SCC Holdings Ltd.*

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All significant intercompany balances and transactions have been eliminated.

b) Business Combinations and Goodwill

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

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

Goodwill is initially measured at the excess of the fair value of consideration transferred and amount of non-controlling interest in the acquiree and acquisition date fair value of existing equity interest in the acquiree over the acquisition fair value of the net identifiable assets acquired and liabilities assumed. If this amount is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the Consolidated Statement of Earnings and Comprehensive Income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

c) Significant Management Judgement

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

Capitalization of internally developed software
Distinguishing the research and development phases of a new customized software project and determining whether the recognition requirements for the capitalization of development costs are met requires judgement. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired.

Recognition of deferred tax assets
The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Recognition of Government contributions
The Company recognizes Government contributions of eligible expenditures when there is reasonable assurance that the Company will comply with the conditions attached to the grant and the grant will be received. The company estimates Government contributions based on labour costs and expenses incurred and its belief of what will ultimately be approved for payment by Government agencies.

d) Estimation Uncertainty

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

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

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

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

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

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

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

e) Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, senior officers, employees and service providers pursuant to an incentive share option plan described in note 12. The Board of Directors grants such options for periods of up to 5 years, with vesting periods determined at its sole discretion and at prices equal to the closing market price on the day the options were granted.

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

f) Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid interest bearing term deposits that are readily convertible to known amounts of cash with terms to maturity of up to 3 months at the date of purchase. The cash and cash equivalents act as the Company's primary source of cash and fluctuate directly as a result of its cash flows from operating, investing and financing activities.

g) Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses that may arise if any of its customers are unable to make required payments. Management provides for bad debts by reviewing all specific customer accounts and trends and sets aside a specific amount towards the allowance account based on this analysis. The amount reserved is based on the Company's historical default experience, direct knowledge of customer credit worthiness, and payment trends. Customer aging is reviewed monthly by management to ensure consistency with best practices. At any time throughout the year, if the Company determines that the financial condition of any of its customers has deteriorated; increases in the allowance may be made.

h) Inventories

Computer hardware and supplies inventory is stated at the lower of cost, determined on a first in – first out basis, and net realizable value.

i) Prepaid Expenses and Deposits

Included in short-term prepaid expenses and deposits are prepayments related to materials, insurance premiums and other deposits required in the normal course of business which are less than one year.

j) Property and Equipment

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

Assets	Period
Furniture and fixtures	10 years
Office equipment	5 years
Computer hardware	3 – 4 years
Leasehold improvements	Lesser of 5 – 10 years or lease term

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

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

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

k) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Consolidated Statement of Earnings and Comprehensive Income.

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

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

Assets	Period
Developed technology	3 – 5 years
Contract development	3 years
Customer relationships	1 – 10 years
Acquired technology	3 – 7 years
Software	3 years

l) Impairment of Non-Financial Assets

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

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

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

An impairment loss is reversed if there is an indication that an impairment loss recognized in prior periods may no longer exist. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized previously. Such reversal is recognized in the Consolidated Statement of Earnings and Comprehensive Income. An impairment loss with respect to goodwill is never reversed.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU or group of CGU's to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount an impairment loss is recognized to the extent the carrying amount exceeds the recoverable amount. Impairment losses relating to goodwill are not reversed in future periods.

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

m) Deferred Revenue

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

n) Financial Instruments

<u>Financial assets</u>

Financial assets are classified into one of four categories:

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

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

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

The Company's financial assets include cash and receivables.

The subsequent measurement of financial assets depends on their classification as follows:

i. Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is held for trading or is designated upon initial recognition as FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term, it is part of an identified portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking or it is a derivative that is not designated as an effective hedging instrument.

Financial assets classified as FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in the Consolidated Statement of Earnings and Comprehensive Income.

The Company has not designated any financial assets as FVTPL.

ii. Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method. The losses arising from impairment are recognized in the Consolidated Statement of Earnings and Comprehensive Income.

The Company has not designated any financial assets as held-to-maturity investments.

iii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized costs using the effective interest rate method. The impairment loss of receivables is based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified. The losses arising from impairment are recognized in the Consolidated Statement of Earnings and Comprehensive Income. Interest income is recognized by applying the effective interest rate method.

The effective interest rate method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

The Company has classified cash and receivables as loans and receivables.

iv. Available-for-sale financial assets

Non-derivative financial assets are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available for sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the Consolidated Statement of Earnings and Comprehensive Income and removed from the available-for-sale reserve.

The Company has not designated any financial assets as available-for-sale assets.

v. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding receivables, is directly reduced by the impairment loss. The carrying amount of receivables is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the Consolidated Statement of Earnings and Comprehensive Income.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value, net of transaction costs except for those carried at fair value through profit or loss which are measured initially at fair value.

The financial liabilities include accounts payables and accrued liabilities, promissory notes payable, capital lease obligations and long-term debt.

Subsequent measurement of financial liabilities depends on their classification as follows:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative instruments that are not designated as hedging instruments in hedge relationships. Changes in fair value on liabilities classified as FVTPL are recognized in the Consolidated Statement of Earnings and Comprehensive Income.

The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

ii. Other financial liabilities

After initial recognition at fair value less transaction costs, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial liability.

Gains and losses are recognized in the Consolidated Statement of Earnings and Comprehensive Income.

The Company has classified accounts payables and accrued liabilities, promissory notes payable and long-term debt as other financial liabilities.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expired.

o) Private placements Equity Valuation

Shares and warrants issued as private placement units are measured using the residual value method whereby value is first allocated to the warrant component based on its fair value with the residual value being attributed to the equity units. The fair value of the warrant is determined using the Black-Scholes Option Pricing Model.

All warrants are exercisable only in the Company's functional currency. Upon exercise of the warrant, the fair value of the warrant at the date of exercise is transferred to share capital.

p) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Consolidated Statement of Earnings and Comprehensive Income, net of any reimbursement.

q) Revenue Recognition

EMR division

EMR systems are sold based on monthly and annual subscription agreements with recurring revenues dependant on the number of physicians and other health professionals using the software at the customer site. The monthly fee is a blended payment for the use of the software, on-going enhancements and technical support and is recognized as the service is delivered on a monthly basis. There are upfront fees to cover the cost of training and implementation and this revenue is recognized when the amount of revenue and expense and when the stage of completion of the service can be measured reliably.

The EMR division provides hosting services to customers, including application hosting, technical support, off-site data storage and business continuation services. Customers are charged an initial fee for implementation and set-up followed by a monthly recurring subscription fee for ongoing use of the hosting solution. In addition, the division may resell hardware in conjunction with the software implementation to facilitate optimal system performance. Revenue from these services and the associated hardware sales is recognized as they are delivered.

The EMR division sales and marketing efforts are focused on selling Accuro® (the Company's flagship EMR product) to new and acquired customers. Existing customers of its other acquired EMR and patient management systems are charged recurring monthly or annual fees for software maintenance and support. From time to time annual maintenance and support payments are paid in advance and are recorded as deferred revenue on the balance sheet until they are recognized as revenue.

EMS division

Software license revenues are recognized after delivery and acceptance by clients in accordance with the terms of each contract. For multiple element arrangements, the contract value is allocated and recognized separately for each element. Professional fees to implement the software are recognized when the amount of revenue, cost and the stage for completion of services can be measured reliably. Annual maintenance and support revenue is paid in advance and recognized on a straight-line basis throughout the year as this approximates the rate at which the service is delivered. Annual maintenance and support payments received in advance are recorded as deferred revenue on the balance sheet, until earned.

RCM division

This division's revenues in Canada are derived from software sales and licenses and other supporting fees, such as consulting, training and installation. The RCM division also provides maintenance and other recurring services, including customer support and software updates which are renewable at the option of the customer.

The Company's US RCM revenues are derived from fees collected for processing medical billing claims, determining eligibility, setting up records, and producing patient statements. The Company recognizes revenues when the services are provided as long as a contract or similar arrangement is in place, the amounts are readily determinable, and collection is reasonably assured.

The Company recognizes RCM revenues from the development and sale of its software and licenses as work related to the development is completed or when legal title transfers if development work is insignificant, which is generally when the product is shipped or, in the case of certain agreements, when the products are delivered to certain customers. The Company sells some of its RCM products on consignment to resellers and recognizes revenue for these consignment transactions only when the end-user sale has occurred.

The RCM division sells license and maintenance contracts that include the right to customer support and unspecified updates of software licenses on a when-and-if-available basis. Sales of updates and maintenance contracts are considered post-contract support, and the fees are deferred and recognized as revenue prorated over the term of the maintenance arrangement, which is generally 12 months. The recognition of any deferred revenue is not contingent upon any specific delivery of product since updates are only provided when-and-if-available.

For software arrangements where the RCM division is obligated to perform professional services, such as installation, training and consulting, the Company considers delivery to have occurred when no significant obligations remain. Generally, this would occur when substantially all service work has been completed in accordance with the terms and conditions of the agreement with the customer.

r) Research and Development Costs

The Company incurs costs to research and develop its proprietary software products to be sold, licensed or otherwise marketed. Research costs are expensed as incurred. Development costs are expensed as incurred unless a project meets certain criteria for capitalization and amortization. In this case the development costs are capitalized and amortized over the estimated useful life of the software product developed. Amortization of capitalized development costs commences when development of the software is complete and the product is available for sale to customers.

s) Investment Tax Credits

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

t) Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the Consolidated Statement of Earnings and Comprehensive Income.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

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

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Company intends to settle its current tax assets and liabilities on a net basis.

The Company accounts for income tax credits in accordance with IAS 12, *Income Taxes* where credits are recorded as a credit to income tax expense on the statement of earnings and comprehensive income.

u) Earnings per Share

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

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

v) Foreign Currency Translation

Functional and presentation currency
The Company’s condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

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

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

i-Plexus Solutions Inc.
In the Company's financial statements, all assets, liabilities and transactions of i-Plexus Solutions Inc. ("i-Plexus") are translated into Canadian dollars upon consolidation.

i-Plexus is considered a self-sustaining operation, as it is financially and operationally independent of the parent. Accordingly, these operations are translated from US dollars ("USD") into the Canadian dollars ("CAD") directly using the current rate method. Under this method, assets and liabilities are translated at period-end exchange rates. Goodwill and intangible assets arising from acquisition of i-Plexus have been treated as assets and liabilities of the foreign operation and translated into Canadian dollars at the period end exchange rates. Items included in the statements of operation and retained earnings and cash flows are translated at the average rate over the reporting period. Exchange differences are charged/credited to the other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

w) Segmented Reporting

The Company has three operating segments that are components of the Company that engage in business activities from which it may earn revenues and incur expenses. These operating segments are monitored by the Company's chief operating decision makers and strategic decisions are made on the basis of the segment's operating results. The EMR division provides Electronic Medical Records applications, ASP hosting and data backup services and other technology products and services for use in physicians' medical offices. The EMS division specializes in Workforce Management Software and Financial Management Software targeted at medium to large healthcare, public safety and social services organizations. The RCM division operates predominantly in the United States of America and focuses on software solutions and transaction processing services to physicians, hospitals, health plans, insurance brokers and state governments to exchange information for health plan enrolment, health insurance eligibility and health insurance claims and payments. The Company allocates corporate costs based on the staff count in each division.

x) Statement of Compliance

In 2012, the Company early adopted the Annual Improvements to IFRSs 2009-2011 Cycle of IAS 1 Presentation of Financial Statements. The amendments to IAS 1 clarifies the requirements for comparative information when entities apply accounting policies retrospectively, makes a retrospective restatement of items in the financial statements, or when items are reclassified in its financial statements. The financial statements have been prepared using the same accounting policies and methods as were used for the Company's audited consolidated financial statements and the notes thereto for the years ended December 31, 2012 and 2011, except for the following new accounting pronouncements which have been adopted on January 1, 2013. These condensed interim consolidated financial statements should be read in conjunction with the December 31, 2012 audited consolidated financial statements.

IFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 Consolidated Financial Statements replaces SIC-12 Consolidation-Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. Based on current facts and circumstances, the Company does not expect to be materially affected by the application of this standard. There was no impact to the Financial Statements as a result of adopting this standard.

IFRS 11 Joint Arrangements provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case).The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-monetary Contributions by Venturers. There was no impact to the Financial Statements as a result of adopting this standard.

IFRS 12 Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The effective date is annual periods beginning on or after January 1, 2013. There was no impact to the Financial Statements as a result of adopting this standard.

IFRS 13 Fair Value Measurements explains how to measure fair value by providing a clear definition and introducing a single set of guidance for (almost) all fair value measurements. It clarifies how to measure fair value when a market becomes less active and improves transparency through additional disclosures. The effective date is annual periods beginning on or after January 1, 2013. There was no impact to the Financial Statements as a result of adopting this standard.

y) Future Accounting Pronouncements

In 2012, the Company has early adopted the Annual Improvements to IFRSs 2009-2011 Cycle of IAS 1 Presentation of Financial Statements. The amendments to IAS 1 clarifies the requirements for comparative information when entities apply accounting policies retrospectively, makes a retrospective restatement of items in the financial statements, or when items are reclassified in its financial statements. By early adopting the standard, the Company has determined that they are not required to present a third statement of financial position for items that have been reclassified retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2015 but can be applied earlier.

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

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement, and is currently being developed in stages by the IASB. The IASB has decided to delay implementation until periods beginning on or after January 1, 2015, with early application permitted. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 has also been amended not to require the restatement of comparative period financial statements for the initial application of the classification and measuring requirements of IFRS9, but instead requires modified disclosures on transition to IFRS 9. The Company has not early adopted this standard and is currently assessing the impact that this standard will have on the consolidated financial statements.

4. Financial Instruments and Risk Exposures

Fair Value Measurement

The Company’s current financial assets include cash and accounts receivables. The Company’s financial liabilities include operating loan, accounts payable and accrued liabilities, promissory notes payable, capital lease obligations and long- term debt.

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

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

March 31, 2013	Carrying amount	Fair Market Value
Cash and receivables	$ 8,974,272	$ 8,974,272
Operating loan	875,000	875,000
Accounts payable and accrued liabilities	4,374,230	4,374,230
Promissory note	483,495	483,495
Capital lease obligation	1,139,552	1,139,552
Long-term debt	2,124,426	2,124,426

December 31, 2012	Carrying amount	Fair Market Value
Cash and receivables	$ 5,768,126	$ 5,768,126
Operating loan	975,000	975,000
Accounts payable and accrued liabilities	3,842,809	3,842,809
Promissory note	483,495	483,495
Capital lease obligation	827,549	827,549
Long-term debt	2,512,723	2,512,723

Credit Risk

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

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

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

The Company regularly reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectable accounts. Pursuant to their respective terms, net accounts receivable was aged as follows as at March 31, 2013 and December 31, 2012:

Accounts Receivable	**March 31, 2013**	December 31, 2012
Current	$ 4,854,750	$ 1,937,604
31-60 days	656,051	941,415
61-90 days	409,933	419,414
Greater than 90 days	1,243,140	1,047,589
Allowance for doubtful accounts	(170,694)	(170,792)
Total	$ 6,993,180	$ 4,175,230

Allowance for doubtful accounts	**March 31, 2013**	December 31, 2012
Opening	$ (170,792)	$ (101,639)
Allowance	(3,029)	(118,894)
Recovery	3,127	49,741
Total	$ (170,694)	$ (170,792)

The Company may also have credit risk relating to cash, which it manages by dealing with large chartered banks in Canada and the United States investing in highly liquid investments. The Company's objective is to minimize its exposure to credit risk in order to prevent losses on financial assets by placing its investments in highly liquid investments such as guaranteed investment funds. The Company's cash carrying value as at March 31, 2013 totaled $1,981,092 (December 31, 2012 - $1,592,896) and accounts receivable of $6,993,180 (December 31, 2012 - $4,175,230), representing the maximum exposure to credit risk of these financial assets.

Liquidity Risk

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

As at March 31, 2013, the Company had cash of $1,981,092, accounts receivable of $6,993,180 and income tax receivable of $96,768 for a total of $9,071,040. The Company had short-term financial obligations from its operating loan of $875,000, accounts payable and accrued liabilities of $4,374,230 promissory note of $483,495, current capital lease obligations of $549,526 and current long-term debt of $1,057,399 which total $7,339,650. The liquidity and maturity timing of these assets are adequate for the settlement of the Company's short-term (less than one year) financial obligations.

March 31, 2013	Less than 1 year	1 to 3 years	Total
Operating loan	$ 875,000	$ -	$ 875,000
Accounts payable and accrued liabilities	4,374,230	-	4,374,230
Promissory notes payable	483,495	-	483,495
Capital lease obligations (including interest)	490,148	733,579	1,223,727
Current and long-term debt (including interest)	1,110,269	1,120,378	2,230,647
Total	$ 7,333,142	$ 1,853,957	$ 9,187,099

December 31, 2012	Less than 1 year	1 to 3 years	Total
Operating loan	$ 975,000	$ -	$ 975,000
Accounts payable and accrued liabilities	3,842,809	-	3,842,809
Promissory note	483,495	-	483,495
Capital lease obligations (including interest)	516,232	361,830	878,062
Current and long-term debt (including interest)	1,335,429	1,302,930	2,638,359
Total	$ 7,152,965	$ 1,664,760	$ 8,817,725

Foreign currency risk

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments will fluctuate due to changes in foreign exchange rates. As at March 31, 2013, approximately 7% (March 31, 2012 - 1%) of revenue is transacted in US dollars and the Company is exposed to foreign exchange risk thereon. The impact of future rate fluctuations cannot be predicted with certainty; however, the Company's exposure to fluctuations in the United States dollar is small since the Company has minimal financial assets or liabilities denominated in currencies other than the Canadian dollar.

Interest Rate Risk

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

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

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

Interest rate sensitivity	Profit and equity for the year	
	-1%	+1%
March 31, 2013	$ 10,183	$ (10,183)
December 31, 2012	$ 18,948	$ (18,948)

5. Business Combinations

<u>Open EC Technologies Inc.</u>

On October 24, 2012, QHR Technologies Ltd. (the "Purchaser"), concluded the acquisition of all the shares outstanding of Open EC Technologies Inc., ("OpenEC") and its subsidiaries.

The acquisition of OpenEC was considered strategically important to penetrate the US market. Key services include billings, clearing house and revenue cycle management delivered through a Software as a Service ("SaaS") model and through leveraged channel sales partners. The acquisition will allow the future deployment of a modified US EMR program to integrate with the US operations healthcare business chain.

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

The fair value of the identifiable assets and liabilities of OpenEC as at October 24, 2012 are as follows:

	Fair value recognized on acquisition
Assets	
Cash	$ 61,265
Accounts receivable	300,446
Prepaid expenses	19,853
Capital assets, net	54,710
Intangible assets – customer relationships	196,885
Intangible assets – acquired technology	1,910,739
Intangible assets – channel partner relationships	579,130
Total assets	3,123,028
Liabilities	
Accounts payable and accrued liabilities	1,205,452
Income taxes payable	2,351
Promissory note payable (note 10)	400,000
Due to QHR Technologies Inc.	443,333
Deferred tax liability	227,554
Deferred revenue	64,000
Total liabilities	2,342,690
Total identifiable net assets	$ 780,338
Goodwill on acquisition	1,658,813
Purchase consideration transferred	$ 2,439,151

Fair value of QHR Technologies Inc. common shares	$	1,558,717
Cash		880,434
Total purchase consideration	$	2,439,151

In addition to amounts advanced before the acquisition date of $443,333, the Company paid cash consideration of $880,434 and 4,480,355 common shares in QHR Technologies Inc. with a value of approximately $0.35 per common share ($0.405 per share, discounted to Fair Market Value due to a 12 or 18 month hold period) for a total of $1,558,717.

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

6. Property and Equipment, net

Cost	Furniture and Fixtures	Office Equipment	Computer Hardware	Leasehold Improvement	Total
December 31, 2011	$ 280,103	$ 247,166	$ 3,136,887	$ 600,668	$ 4,264,824
Additions	39,003	336,178	667,200	260,159	1,302,540
December 31, 2012	319,106	583,344	3,804,087	860,827	5,567,364
Additions	11,193	-	467,915	-	479,108
Foreign exchange translation	25	138	655	-	818
March 31, 2013	$ 330,324	$ 583,482	$ 4,272,657	$ 860,827	$ 6,047,290
Accumulated Amortization					
December 31, 2011	$ 96,990	$ 130,567	$ 2,211,044	$ 267,247	$ 2,705,848
Amortization for the period	28,336	71,403	388,618	85,980	574,337
December 31, 2012	125,326	201,970	2,599,662	353,227	3,280,185
Amortization for the period	7,392	25,047	92,400	55,374	180,213
Foreign exchange translation	1	7	43	-	51
March 31, 2013	$ 132,719	$ 227,024	$ 2,692,105	$ 408,601	$ 3,460,449
Net book value					
December 31, 2012	$ 193,780	$ 381,374	$ 1,204,425	$ 507,600	$ 2,287,179
March 31, 2013	$ 197,604	$ 356,458	$ 1,580,553	$ 452,226	$ 2,586,841

The cost and accumulated amortization of capital assets acquired under capital lease obligations at March 31, 2013 are $2,124,058 (December 31, 2012 - $1,862,142) and $675,148 (December 31, 2012 - $746,639) respectively.

7. Goodwill

Goodwill is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of an acquired company’s workforce and expected cost synergies. Goodwill arising on acquisitions is not deductible for tax purposes.

Goodwill	EMR	EMS	RCM	Total
December 31, 2011	$ 1,702,739	$ 2,219,089	$ -	$ 3,921,828
Acquired through share purchase (OpenEC)			1,658,813	1,658,813
December 31, 2012	1,702,739	2,219,089	1,658,813	5,580,641
Foreign exchange translation			20,004	20,004
March 31, 2013	$ 1,702,739	$ 2,219,089	$ 1,678,817	$ 5,600,645

The weighted average cost of capital, as determined using the Capital Asset Pricing Model, is 28.2% for the EMR division, 29.1% for the EMS division and 35.9% for the RCM division; which have been used to discount cash flow projections.

EMR revenue is assumed to continue to grow at rates up to 10% per year during the forecasted five year period. This reflects our expectations for significant medical practitioner conversion to EMR systems as government mandates and incentives, presently available, will have a significant positive impact in this area. Expenses are assumed to grow at a slower rate than recent experience, reflecting the economies of scale from a larger customer base and the benefits of a recurring revenue model.

EMS revenue and expenses are assumed to increase at rates slightly higher than the average experienced over the past two years for existing business. These growth rates were selected after examining trends over the past several years in the EMS market and taking into account that this is a relatively stable market with low attrition rates for customers using our products.

RCM revenue growth is expected to increase over the next five years through additional sales leveraging the Company’s channel partner relationships. Resources and costs will be allocated to ensure a high revenue growth rate. Expenses will increase and correlate with the additional revenues and investment into this division by ensuring focused penetration into the US market.

A conservative growth rate of 0% was used to extrapolate cash flow projections beyond the five year projection period for the EMR, EMS and RCM divisions.

Management believes that the methodology used to test impairment of goodwill, which involves a significant number of judgments and estimates, provides a reasonable basis for determining whether an impairment has occurred. Many of the factors used in determining whether or not goodwill is impaired are outside management’s control and involve inherent uncertainty. Therefore, actual results could differ from those estimated. It is reasonably likely that assumptions and estimates will change in future periods and could have a significant impact on the recoverable amount of a cash generating unit (“CGU”), resulting in impairments. In performing the goodwill impairment test, the Company compares the recoverable amount of its CGU's to their respective carrying amounts. If the carrying amount of a CGU is higher than its recoverable amount, an impairment charge is recorded as a reduction in the carrying amount of the goodwill on the consolidated statements of financial position and recognized as a non-cash impairment charge in income.

The Company estimated the recoverable amount by using the value-in-use approach. It estimated fair value using market information and discounted after-tax cash flow projections, which is known as the income approach. The income approach used a CGU’s projection of estimated operating results and discounted cash flows based on a discount rate that reflects current market conditions. The Company used cash flow projections from financial forecasts covering a five-year period. For its March 31, 2013 impairment test, the Company discounted its CGU's cash flows using an after-tax discount rate of 28.2% - 35.9%. To arrive at cash flow projections, the Company used estimates of economic and market information over the projection period. If market and economic conditions deteriorate or if volatility in the financial markets causes declines in the Company's share price, increases the weighted average cost of capital, or changes valuation multiples or other inputs to its goodwill assessment, the Company may need to test its goodwill for impairment between its annual testing periods. In addition, it is possible that changes in the numerous variables associated with the judgments, assumptions, and estimates made by management in assessing the fair value of the Company’s goodwill could cause its CGU’s to be impaired. Goodwill impairment charges are non-cash charges that could have a material adverse effect on the Company’s consolidated financial statements but in themselves do not have any adverse effect on its liquidity, cash flows from operating activities, or debt covenants and will not have an impact on its future operations. The calculation of value in use for all CGU’s is most sensitive to the following assumptions:

i. Operating margins based on actual experience and management's long-term projections.
ii. The Company's weighted average cost of capital.
iii. Growth rate estimates based on actual experience and market analysis. Projections use a growth rate that approximates 5% - 15%.

As at March 31, 2013, the recoverable amount of the Company's CGU's exceeded their carrying amount. With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would have caused the carrying amount of the CGU's to exceed its recoverable amount.

8. Intangible Assets

Cost	Customer relationships	Acquired technology	Developed technology	Channel partner relationship	Contract development	Software	Total
December 31, 2011	$ 13,200,000	$ 2,724,500	$ 1,887,146	$ -	$ 91,897	$ 609,395	$ 18,512,938
Additions	196,885	1,910,739	830,985	579,131	-	83,887	3,601,627
December 31, 2012	13,396,885	4,635,239	2,718,131	579,131	$ 91,897	693,282	22,114,565
Additions	-	-	121,198	-	-	-	121,198
Foreign exchange translation	1,779	13,994	-	-	-	394	16,167
March 31, 2013	$ 13,398,664	$ 4,649,233	$ 2,839,329	$ 579,131	$ 91,897	$ 693,676	$ 22,251,930
Accumulated Amortization							
December 31, 2011	$ 2,236,570	$ 1,411,919	$ 278,472	$ -	$ 89,344	$ 552,134	$ 4,568,439
Amortization for the period	1,339,351	421,155	180,428	15,346	2,553	43,274	2,002,107
Foreign exchange translation	3	16	-	-	-	-	19
December 31, 2012	3,575,924	1,833,090	458,900	15,346	91,897	595,408	6,570,565
Amortization for the period	334,912	120,873	75,479	20,683	-	10,382	562,329
Foreign exchange translation	97	540	-	-	-	9	646
March 31, 2013	$ 3,910,933	$ 1,954,503	$ 534,379	$ 36,029	$ 91,897	$ 605,799	$ 7,133,540
Net book value							
December 31, 2012	$ 9,820,961	$ 2,802,149	$ 2,259,231	$ 563,785	$ -	$ 97,874	$ 15,544,000
March 31, 2013	$ 9,487,731	$ 2,694,730	$ 2,304,950	$ 543,102	$ -	$ 87,877	$ 15,118,390

9. Promissory Notes Payable

The Company obtained a promissory note through the acquisition of OpenEC in the amount of $400,000 at a rate of 8% per annum. The full amount of the note plus accrued interest is payable to the holder by April 1, 2013. The accrued interest at March 31, 2013 is $100,833. The Company repaid this promissory note plus accrued interest on April 1, 2013.

As at March 31, 2013, the remaining amount outstanding on the promissory note payable from the purchase of Clinicare Corporation ("Clinicare") is $83,495 plus accrued interest of $154,611 (December 31, 2012 - $149,883). As outlined in note 20, the Company is disputing this amount through a counter claim.

10. Obligations under Capital Lease

Capital lease obligations are payable in monthly installments with interest at 1% to 14.9% per annum, to March 2016, secured by certain computer equipment, furniture and fixtures.

Minimum lease payments over the next four years mount to:	**March 31, 2013**	December 31, 2012
2013	$ 490,148	$ 516,232
2014	413,858	247,804
2015	284,187	114,026
2016	35,534	-
Total minimum lease payments	1,223,727	878,062
Lease payment amounts representing interest	(84,175)	(50,513)
Present value of net minimum capital lease payments	1,139,552	827,549
Current portion of capital lease obligations	(549,526)	(480,995)
	$ 590,026	$ 346,554

11. Long-term debt

	March 31, 2013	December 31, 2012
Royal Bank of Canada non-revolving term loan dated December 22, 2011 repayable in 24 monthly installments of $75,000 plus interest at prime plus 2% per annum. Secured by a general security agreement. Refer to Note 15 regarding covenant requirements.	$ 356,149	$ 577,815
Royal Bank of Canada non-revolving term loan dated October 24, 2012 repayable in 36 monthly installments of $55,556 plus interest at prime plus 2% per annum. Secured by specific postponement of claims and a general security agreement. Refer to Note 15 regarding additional information and covenant requirements.	1,720,970	1,879,721
Al Stober Construction Ltd. leasehold improvement loan dated September 1, 2011 repayable in 36 monthly installments of $2,929 including principal and interest at 7% per annum. The loan is secured by tenant improvements at 625 – 1620 Dickson Avenue, Kelowna BC.	47, 307	55,187
Total long-term debt	2,124,426	2,512,723
Current portion of long-term debt	(1,057,399)	(1,271,837)
	$ 1,067,027	$ 1,240,886

12. Issued Capital

a) Authorized

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

b) Issued

Shares issued and outstanding	Number of shares	Amount
December 31, 2011	42,910,621	$ 17,760,334
Share issuance, acquisition of OpenEC	4,480,355	1,558,717
Share issue costs, net of deferred tax of $25,781	-	(77,298)
December 31, 2012	47,390,976	19,241,753
Options exercised	120,000	44,311
March 31, 2013	47,510,976	$ 19,286,064

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

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

Share purchase options outstanding are as follows:

Share purchase options outstanding	Number of options	Weighted average exercise price
December 31, 2011	2,851,250	$ 0.53
Forfeited	(706,250)	0.61
Exercised	(645,000)	0.60
Options granted June 12, 2012	1,500,000	0.60
December 31, 2012	3,000,000	0.54
Exercised	(120,000)	0.25
March 31, 2013	2,880,000	$ 0.53

During the three months ended March 31, 2013 a total of 120,000 (March 31, 2012 – $Nil) stock purchase options were exercised during the period at a weighted average share value of $0.55 (March 31, 2012- $Nil).

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

March 31, 2013	Options outstanding		Options exercisable	
Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
415,000	0.33	$ 0.25	415,000	$ 0.25
1,695,000	3.77	0.60	807,494	0.60
770,000	3.50	0.62	577,500	0.62
2,880,000	3.20	$ 0.55	1,799,994	$ 0.53

December 31, 2012	Options outstanding		Options exercisable	
Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
535,000	0.58	$ 0.25	535,000	$ 0.25
1,695,000	6.30	0.60	629,996	0.60
770,000	3.75	0.62	481,250	0.62
3,000,000	3.36	$ 0.54	1,646,246	$ 0.49

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

	March 31, 2013	March 31, 2012
Total stock based compensation	$ 85,132	$ 33,265

d) Warrants

The continuity of share purchase warrants is as follows:

	Number of warrants	Value of warrants
December 31, 2011	6,153,850	$ 438,300
Expired	(6,153,850)	(438,300)
December 31, 2012	-	-
March 31, 2013	-	$ -

e) Contributed Surplus

The continuity of contributed surplus is as follows:

	Amount
December 31, 2011	$ 1,029,980
Warrants expired	438,300
Stock based compensation	433,770
December 31, 2012	1,902,050
Options exercised	(14,311)
Stock based compensation	85,132
March 31, 2013	$ 1,972,871

13. Earnings per Share

The reconciliation of the numerators and denominators of the basic and diluted earnings per share calculations was as follows for the three months ended March 31, 2013 and 2012.

	March 31, 2013	March 31, 2012
Numerator		
Net earnings	$ 149,054	$ 264,454
Denominator		
Weighted average number of shares outstanding used to compute basic EPS	47,466,087	42,910,621
Effect of dilutive securities		
Dilution from exercise of options	255,760	453,618
Weighted average number of shares outstanding used to compute diluted EPS	47,721,847	43,364,239
Net earnings per share		
Basic	$ 0.00	$ 0.01
Diluted	$ 0.00	$ 0.01

The calculation of assumed exercise of stock options and warrants includes the effect of the dilutive options and warrants. Where their effect was anti-dilutive because their exercise prices were higher than the average market price of the Company's common shares at the end of the periods shown in the table, assumed exercise of those particular stock options and warrants were not included.

14. Income Taxes

a) Income Tax Expense

The income tax expense differs from the expected expense if the Canadian federal and provincial statutory income tax rates were applied to earnings (loss) from operations before income taxes. The principal factors causing these differences are shown below:

	March 31, 2013	March 31, 2012
Earnings (loss) before income taxes	$ 209,081	$ 430,633
Statutory tax rate	25.00%	25.90%
Income tax provision using statutory tax rates	52,273	112,000
Effect of statutory rate change	-	7,569
Permanent differences	30,463	47,610
Benefit from previously unrecognized tax losses	(603)	(1,000)
Other	(22,106)	-
Income tax	$ 60,027	$ 166,179

b) Deferred Tax Assets & Liabilities

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

Recognized	**March 31, 2013**	December 31, 2012
Non-capital loss carry forwards	$ 3,157,058	$ 3,261,564
Scientific research and experimental development pool	794,462	794,462
Investment tax credits	346,228	346,228
Share issue costs	105,729	119,570
Tangible assets	116,515	135,004
Intangible assets	(1,847,523)	(1,919,358)

Total recognized net deferred tax asset	$	2,672,469	$	2,737,470
Deferred asset		2,830,431		2,948,606
Deferred liability		(157,962)		(211,136)
	$	2,672,469	$	2,737,470

Unrecognized		**March 31, 2013**		December 31, 2012
Non-capital loss carry forwards	$	42,020	$	42,623
Total unrecognized net deferred tax asset	$	42,020	$	42,623

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. In management's opinion, the deferred tax assets will be utilized in the forthcoming years through projected taxable income. Additionally, the Company will take advantage of certain tax benefits available as a result of the amalgamation.

c) Loss Carry-Forwards

At March 31, 2013, the consolidated Company has approximately $12,700,000 of non-capital loss carry forwards available until 2032 (December 31, 2012 – approximately $13,190,000) to reduce future years' income for income tax. The Company employs strategies within the corporate group to effectively utilize the benefits of these tax loss carry-forwards and to minimize income tax payable. The following table reflects tax loss carry-forwards prior to any tax losses that arise upon actual filing of the representative company tax returns:

		March 31, 2013		December 31, 2012
QHR Technologies Inc.	$	100,000	$	20,000
QHR Software Inc.		12,250,000		12,950,000
Chartcare Inc.		170,000		170,000
i-Plexus Solutions Inc.		180,000		50,000
Total	$	12,700,000	$	13,190,000

d) Investment Tax Credits on SRED Expenditures

At March 31, 2013, the Company and its subsidiaries have accumulated Investment Tax Credits totaling approximately $346,228 (December 31, 2012 – $346,228) which may be applied against future years' taxes.

e) SRED Expenditure Pool Carry Forwards

At March 31, 2013 the Company and its subsidiaries have accumulated a SRED expenditure pool of approximately $3,636,205 (December 31, 2012 – approximately $3,636,205) which may be applied against future years' taxable income. The SRED expenditures pool may be carried forward indefinitely.

15. Capital Disclosures

The Company's objectives and policies for managing capital are to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business and to safeguard the Company's ability to support the Company's normal operating requirements on an ongoing basis.

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

	March 31, 2013	December 31, 2012
Operating loan	$ 875,000	$ 975,000
Promissory note	483,495	483,495
Long-term debt	2,124,426	2,512,723
Total equity	20,230,400	19,932,823
Overall financing	$ 23,713,321	$ 23,904,041

To manage the Company's capital requirements, the Company has in place a planning and budgeting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company plans to continue to fund its short-term cash requirements through operations, and if required, the Company has an operating line of credit in place that can be drawn upon.

The Company has an available operating line of credit with the Royal Bank (the "Bank") of up to $1.5 million subject to and limited to standard borrowing base calculations and margining against trade account receivable. The operating line of credit is payable upon demand by the Bank. The Company had $875,000 outstanding on its operating line at March 31, 2013, (December 31, 2012 - $975,000). The interest rate is at the Bank's prime rate plus 2.00% per annum. At March 31, 2013, the effective rate on this loan was 5.00% (December 31, 2012 – 5.00%).

The Company has secured two $2,000,000 non-revolving term loans from the Bank specifically for acquisitions. The loans are secured by a guarantee and postponement of claims and supported by general security agreements.

As at March 31, 2013 the Company has the following externally imposed capital requirements under its operating line of credit and non-revolving term loan agreements.

a) EBITDA (less cash income taxes and unfunded capital expenditures) to Fixed Charges (total interest expense, scheduled principal payments in respect to funded debt and corporate distributions) - the ratio is calculated on a rolling 4 quarters basis for the fiscal quarter then ended and the immediately preceding 3 fiscal quarters, of not less than 1.35:1.
b) Funded debt to EBITDA - calculated on a rolling 4 quarters basis for the fiscal quarter then ended and the immediately preceding 3 fiscal quarters, of not greater than 2.00:1.
c) On the non-revolving term loan only, a mandatory repayment equaling 50% of QHR's free cash flow (defined as earnings before interest, taxes, depreciation and amortization excluding non-cash gains/losses, less taxes, unfunded capital assets and all principal payments) is payable within 120 days of the fiscal year end. The calculated payment for the period ended March 31, 2013 is $Nil (December 31, 2012 - $312,185).
d) EBITDA is defined as earnings before interest, taxes, depreciation and amortization and is a non-IFRS measure. Unfunded capital expenditures are defined as capital expenditures not financed by external sources. Funded debt includes the term loan and capital lease obligations. Fixed charges are comprised of total interest expense, scheduled principal payments in respect of funded debt, and corporate distributions.

As at March 31, 2013, the Company is in compliance with all of its bank covenants.

16. Segmented Information

Three months ended March 31, 2013	EMR	EMS	RCM	Total
Revenues	$ 5,318,137	$ 2,520,988	$ 602,808	$ 8,441,933
Operating expenses	4,148,774	2,383,540	799,713	7,332,027
Operating profit	1,169,363	137,448	(196,905)	1,109,906
Stock-based compensation	47,325	28,366	9,441	85,132
Amortization of property and equipment	124,120	43,459	12,634	180,213
Amortization of intangible assets	325,138	137,285	99,906	562,329
Interest expense	38,893	23,311	17,324	79,528
Loss (gain) on foreign exchange	2,161	(3,302)	(5,236)	(6,377)
Earnings (loss) before income taxes	631,726	(91,671)	(330,974)	209,081
Income tax (recovery)	170,106	(8,971)	(101,108)	60,027
Net earnings (loss)	461,620	(82,700)	(229,866)	149,054
Gain on foreign exchange translation	-	-	33,391	33,391
Comprehensive income (loss)	$ 461,620	$ (82,700)	$ (196,475)	$ 182,445

Total assets	$ 13,239,865	$ 17,176,774	$ 5,826,861	$ 36,243,500
Total liabilities	$ 5,066,805	$ 9,370,619	$ 1,575,676	$ 16,013,100
Additions to:				
Capital assets	$ 261,789	$ 156,913	$ 60,406	$ 479,108
Intangible assets	$ -	$ 121,198	$ -	$ 121,198

Three months ended March 31, 2012	EMR	EMS	RCM	Total
Revenues	$ 3,848,014	$ 3,545,230	$ -	$ 7,393,244
Operating expenses	3,452,852	2,899,948	-	6,352,800
Operating profit	395,162	645,282	-	1,040,444
Stock-based compensation	19,294	13,971	-	33,265
Amortization of property and equipment	103,633	33,800	-	137,433
Amortization of intangible assets	373,577	101,616	-	475,193
Interest expense	30,673	21,411	-	52,084
Gain on investment	(88,426)	-	-	(88,426)
(Gain) loss on foreign exchange	(95)	357	-	262
Earnings (loss) before income taxes	(43,494)	474,127	-	430,633
Income tax (recovery)	(16,787)	182,966	-	166,179
Net earnings (loss)	$ (26,707)	$ 291,161	$ -	$ 264,454
Total assets	$ 17,660,544	$ 13,397,790	$ -	$ 31,058,334
Total liabilities	$ 4,098,282	$ 9,076,339	$ -	$ 13,174,621
Additions to:				
Capital assets	$ 83,925	$ 59,736	$ -	$ 143,661
Intangible assets	$ 48,000	$ 224,114	$ -	$ 272,114

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

	March 31, 2013	March 31, 2012
Canada	$ 7,819,371	$ 7,334,469
United States	592,562	58,775
	$ 8,411,933	$ 7,393,244

17. Commitments

As at March 31, 2013, the Company has various operating leases, primarily office rent, with remaining terms of more than one year. These leases have minimum annual commitments as follows:

2013	$ 363,991
2014	273,234
2015	249,982
2016	159,431
	$ 1,046,638

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

18. Supplemental Cash Flow and other disclosures

	March 31, 2013	March 31, 2012
Non-cash financing and investing activities:		
Capital assets acquired under capital lease obligations	$ 463,455	$ 24,844
Supplementary information:		
Interest paid	$ 79,528	$ 52,084

19. Related Party Transactions

For the three month period ended March 31, 2013 and 2012 the Company paid compensation to key management personnel and the amounts are recognized as an expense during the reporting period.

	March 31, 2013	March 31, 2012
Short-term employee benefits	$ 202,807	$ 154,168
Share based payments	55,269	40,290
	$ 258,076	$ 194,458

20. Contingencies

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

For details on current contingencies outstanding, please refer to the year ended December 31, 2012 Audited Financial Statements and MD & A, available on SEDAR.