

VisualMED Clinical Solutions Corp.  
Form 10KSB  
September 28, 2007

**U.S. Securities and Exchange Commission  
Washington, D. C. 20549**

**FORM 10-KSB**

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended - June 30, 2007

OR

c TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

**Commission file number 000-33191**

**VISUALMED CLINICAL SOLUTIONS CORP.**

(Name of small business issuer in its charter)

**NEVADA**

(State or other jurisdiction of  
incorporation or organization)

**88-0436055**

(I.R.S. Employer Identification No.)

**1035 Laurier St. West  
Suite 200  
Montreal, Quebec  
Canada H2V 2L1**

(Address of principal executive offices) (Zip Code)

**(514) 274-1115**

Issuer's telephone number

Securities registered pursuant to Section 12(b) of the Exchange Act:

**Title of each class:**

**None**

**Name of each exchange on which registered:**

**None**

Securities registered pursuant to Section 12(g) of the Exchange Act:

**Common Stock**  
**52,218,345 Common Shares**

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.  c

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No  c

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.  x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b-2 of the Exchange Act).

Yes  No  c

State issuer's revenues for its most recent fiscal year: \$355,812

The aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the average bid and asked price of such common equity as of June 30, 2007 was \$15,901,667.

As of September 27, 2007, the issuer had 52,218,345 outstanding shares of common stock.

Transitional Small Business Disclosure Format (Check one):

Yes  No  c

DOCUMENTS INCORPORATED BY REFERENCE: None

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**Forward-Looking Statements and Associated Risk**

Certain statements contained in this annual report on Form 10-KSB constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause deviations in actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied. Such factors include but are not limited to: market and customer acceptance of and satisfaction with our products, market demand for our products; fluctuations in foreign currency markets; the use of estimates in the preparation of our Consolidated Financial Statements; the impact of competitive products and pricing in our field; the ability to develop and launch new products in a timely fashion; government and industry regulatory environment; fluctuations in operating results, including, but not limited to, spending on research and development, spending on sales and marketing activities, spending on technical and product support; and other risks outlined in previous filings with the Securities and Exchange Commission, and in this annual report on Form 10-KSB.

The words "believe," "expect," "anticipate," "intend" and "plan" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that cannot be quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements.

Unless otherwise noted, all currency figures in this filing are in U.S. dollars.

The terms "Company," "we," "us," "our," "VisualMED" and "the Registrant" refer to VisualMED Clinical Solutions Co. Nevada corporation, and its subsidiaries.

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**PART I**

**ITEM 1. DESCRIPTION OF BUSINESS.**

**Company History**

We were incorporated in the State of Nevada on September 7, 1999 under the name Ancona Mining Corp. (Ancona) as a mining and exploration company. After initial disappointing results from our mining exploration, we did very little business and showed very limited activity, with no profitability. On September 23, 2004, after receiving advice that our mining properties were not deemed to be economically attractive, we chose to enter the emerging field of clinical information systems and entered into an agreement, in principle, to purchase the distribution rights to a suite of clinical software modules, as well as some minor office equipment and all of the issued and outstanding common shares of VisualMED Marketing Inc., an inactive company with no revenue, from Visual Healthcare Corp. (formerly known as VisualMED Clinical Systems Corp.), a Nevada corporation (VHCC). We refer to this asset purchase transaction as the Acquisition. We consummated the Acquisition on October 13, 2004 and, in consideration for the assets purchased, we issued what then amounted to 80% of our common stock to VHCC. As a result of the Acquisition, we have the right to exploit, commercialize, install, support and upgrade the clinical software modules purchased. Our rights to exploit, commercialize, install, support and upgrade the modules are worldwide, except for that part of the U.S. market, as well as the Chinese and the Japanese language markets, into which VHCC has entered into similar agreements with other non-related companies.

To reflect the nature of our new business, we changed our corporate name in November 2004 from Ancona Mining Corp. to VisualMED Clinical Solutions Corp. Our principal executive offices are located at 1035 Laurier Street West, Suite 200, Montreal, Quebec, Canada H2V 2L1 and our telephone number is (514) 274-1115.

**About Our Controlling Stockholder**

As of September 27, 2007, VHCC owns approximately 32% of our issued and outstanding common stock. VHCC was formed in 1998 to further develop clinical information products based on Dr. Arthur Gelston's investigations in the field. These products include software clinical management modules, electronic patient records, electronic charting, dynamic clinical notes and other medical information platforms and clinical tool sets for doctors and nurses.

## Field of Operations and Corporate Mission

We are a medical information company that uses technology to assist physicians and nurses streamline the mass of patient information in a coherent and usable manner. Our clinical information systems are designed for use in hospitals, healthcare delivery organizations and regional and national healthcare authorities. Our corporate mission is to help healthcare professionals practice the best possible medicine at the point of care.

We market cutting-edge technology solutions for healthcare institutions and authorities. These solutions are designed to save cost and time, and to reduce adverse drug events (ADE) that kill more than 200,000 patients per year in the United States alone. Our latest generation suite of software modules comprises a fully functional clinical information system (Clinical Information System) that includes the complete electronic medical record (Electronic Medical Record), with a core computerized physician order entry (CPOE) module. Our Clinical Information System, Electronic Medical Record and CPOE work together to reduce the cost of providing medical care, while dramatically improving the quality and efficiency of healthcare services offered by healthcare institutions.

## Our Products

### *The VisualMED System*

The VisualMED system is a suite of software modules that constitute a comprehensive, state of the art, fully functional Clinical Information System. VisualMED is an informatics tool that enables the physician to make informed diagnostic and therapeutic decisions at the point of care. The system communicates with existing legacy systems including Admissions (ADT), pharmacy, laboratory, radiology and Picture Archival and Communication Systems (PACS) through Health Language 7 (HL-7) interfaces. Through its interfaces, VisualMED captures all clinical information available on every hospitalized patient at any given moment, representing the totality of data required by the hospital's clinical staff to perform their duties. Healthcare personnel are able to access information culled from a variety of different sources through this single software solution. The VisualMED system has the following functionality:

- **Electronic Medical Record.** Our Electronic Medical Record system replaces paper-based activities by doctors and nurses. All patient care is prescribed and documented in an electronic media that may include wireless devices with remote access via an Internet portal. All of a patient's medical history is securely stored in a central database for easy access by the attending healthcare professionals. The information is accessed through a series of computer workstations placed in every ward, within easy reach of the doctors and nurses responsible for those patients.
- **CPOE.** The CPOE module is a method of giving patient prescriptions and other medical orders in an electronic mode. This form of automation of medical acts has many advantages, such as, the speedy transmission of orders through the hospital and the elimination of errors due to illegible handwriting. As a result, a CPOE module is believed to contribute to better patient safety. Furthermore, a CPOE module, when combined with decision support information could eliminate many common medical errors that occur on a daily basis, such as dosage errors and harmful drug interactions.
- **Clinical Decision Support.** VisualMED decision support helps physicians validate their therapeutic decisions in real time while prescribing medication. Physician activities using this functionality are supported by an extensive knowledge base containing thousands of user cases and thousands of decisional algorithms with 30 levels of decision support.
- **ADE Prevention.** Our VisualMED system helps prevent ADEs, which often cause prolonged hospitalization and death, by reducing the risk of medication side-effects, avoiding duplication of prescriptions, lab tests and radiology exams, and bringing important clinical information to the attention of the physician in real time at the point of care. Through our system, the availability of medical charts is immediate and can be securely encrypted and transmitted worldwide via the Internet.
- **Medical Audits.** The implementation of the VisualMED system in a hospital setting allows for a comprehensive audit of medical procedures and their outcomes. The medical audit mechanism also assures that appropriate regulatory standards are being met. In addition, the use of biometric electronic signature provides data security at the highest level.

*VisualMED Modules*

VisualMED modules come in four broad classes – administrative/support, nursing, clinical, and the Electronic Medical Record.

- Administrative module. VisualADMIN is the principal administrative module. VisualADMIN allows users with the appropriate security rights to access screens that may be used to define and modify the basic architectural structure that defines the business rules for the CPOE for the six general order entry types – drugs, labs, IV solutions, image tests, nursing orders, and dressings – as well as special order entry types, such as sliding scales, drug tapers and transfusions. VisualADMIN creates and modifies decision support algorithms that are called upon at multiple levels in the order entry sequence. These operate as background processes and maintain the ward/bed configuration of the institution, as well as a set of diagnoses, a custom set of system requisitions that may be required by the healthcare institution, a set of system user groups and user group rights and a set of system parameters that are used to determine the system configuration. We supply all of the content required for full function of the system at the time of installation. Our customers may modify any of the content at any time in plain language. VisualADMIN is a required module in the setting of a minimal VisualMED installation.
- Nursing module. The VisualMED nursing module (VisualNURSE) integrates all physician/nursing clinical functions at the order entry and clinical data entry levels. VisualNURSE contains a medication administration record that is automatically generated by the VisualMED system according to a rules engine, which translates the physician's prescription into the date-times for prescription administration. System rules are supplied by VisualMED at the time of installation and may vary for each individual clinical module. VisualNURSE also contains a plan of care and screen sets that allow for the recording and display of clinical information, including vital signs, glucometer-insulin record, input and output, and pain scale. Additional screens exist for the recording of the nursing history. The healthcare institution's system administrator, through VisualADMIN, manages the basic structure of VisualNURSE. All of our clinical modules access VisualNURSE. VisualNURSE is a required module in the setting of a minimal VisualMED installation.
- Clinical module. The VisualMED clinical modules broadly correspond to the individual clinical specialty of medicine of the healthcare institution or a particular division or ward of the institution, such as VisualER, VisualSurgeon, VisualPediatrics and VisualICU. All of the patients in a particular ward may all be linked to a single module or patients in a given ward may each be attached to different modules in accordance with the patient's ailment. Each clinical module may have its own set of available drug listings, its own table of order sets and unique decision support algorithms. The look and feel of each clinical module is constant, though modules may contain unique screens, which may not be available elsewhere in the VisualMED Clinical Information System. For example, VisualER uses unique patient tracking screens; VisualICU, CCU, and ER contain unique results reporting screens. The health care institution's system administrator, through VisualADMIN, manages the seed content of the clinical modules. At least one clinical module is required in the setting of a minimal VisualMED installation. Our system includes, as an option, a DICOM viewer embedded in the clinical signs and results reporting screens so that PACS images may be viewed directly within the clinical context of the VisualMED clinical data display screens.
- Electronic Medical Record. All clinical modules come with a complete Electronic Medical Record which can be used by physicians, consultants, nursing staff and paramedical staff to record their admission and progress notes in a coded, menu-driven or free-text format, depending on the preference of the individual user. Clinicians can access all data related to their patient through the Electronic Medical Record. Clinical data entered into the Electronic Medical Record is available to review for the purposes of quality assurance by the clinical or administration staff and, where law permits, may be consulted by the patient.

During fiscal 2007 we completed our VisualDENTISTRY and VisualANESTHESIOLOGY modules, which are now available to the public. We also began marketing of our VisualONCOLOGY module to oncology departments and cancer clinics, resulting in the current deployment of this module at the Segal Cancer Center in Montreal. We have acquired the technology to create an ambulatory module to support individual physicians in private practice. We have also acquired the technology and rights for the VisualMED technology to support a web-based Personal Health Information System available to subscribers over the internet.

### *Installation and Implementation*

Delivery of a VisualMED system to a customer consists of three broad phases: hardware installation, software implementation and training.

- Hardware installation. Hardware may be installed by us or the customer's technical staff according to our specific configuration. The scope of the hardware is determined by the number of beds and wards in the particular healthcare institution, as well as the institution's physical layout.
- Software implementation. Our VisualMED software is configured based on a healthcare institution's responses to our implementation questionnaire. The information obtained from the questionnaire is used to create the clinical content and populate the production database. Concurrent with managing and preparing this data, HL7 interfaces to other hospital systems such as Pharmacy, Laboratory, ADT and PACS will be designed, developed and tested by VisualMED and the system suppliers.
- Costs. Cost of implementation of a VisualMED system can vary between \$2 and \$20 million depending on the size of the hospital and the nature, and functionality of the selected technology.
- Training. Training begins well in advance of the installation. VisualMED has specific training programs for physicians, nurses and other hospital staff. In large hospitals, a pre-determined number of wards will go-live every two weeks until the entire hospital is in full production. VisualMED training personnel provide on-site support 24 hours per day until the hospital staff can use the system independently.
- Helpdesk. The VisualMED helpdesk is available to our customers 24 hours per day, seven days per week for technical and functional assistance. VisualMED has the ability to monitor and update the system from a remote location.

### *Independent Evaluation*

The technology platform on which VisualMED modules and some of its applications are based has been evaluated by independent agencies, such as the Leapfrog Group and Five Rights Consulting. These agencies have consistently ranked our technology as one of the more complete and efficacious set of solutions in its field. The VisualMED technology was also positively evaluated after an in-depth audit for the benefit of a Canadian governmental agency by Dr. Antoine Geisbuhler, formerly of Vanderbilt University medical school and holder of the chair of medical informatics, Faculty of Medicine, University of Geneva, Switzerland.

### *Advertising and Brand Recognition*

VisualMED attends all key industry trade shows, with a dedicated booth that provides demonstrations of the VisualMED system as it currently operates in a live hospital environment. We do not advertise in tradition print or television media. We rely heavily on the quality of the VisualMED system, its high rating by industry analysts and the building of a successful implementation track record with our existing customers, to attract potential new customers.

### *Marketing*

A significant part of our marketing effort is conducted in conjunction with strategic partners who often have a geographical concentration or who offer particular services within the healthcare industry where we are present, including management consultants, systems integrators, major engineering firms and outsourcing companies. Our strategic partnerships include alliances with Oracle, IBM, Stratus, Citrix Systems, Hewlett Packard, mTuitive Inc., Chartware Inc., Rutherford Marketing LLC, ITS of the Kingdom of Saudi Arabia, Sonotec S.A.R.L. of Tunis, Post Logic Inc. of Paris, and First Consulting Group. We are also working closely with Medical.MD of Montreal, our authorized reseller, and with elements of the Italian and French healthcare authorities and health services industry, with regard to the implementation of our system over a broad range of hospitals, clinics and pharmacies in those countries.



## **Intellectual Property and Research and Development**

We continue to improve and upgrade our system for better performance and to answer our customers' specific needs. Our development activities are often subcontracted to technical companies that specialize in these fields. All of our research and development work is proprietary to our company. In fiscal 2006, we spent approximately \$1,093,096 on research and development. In fiscal 2007, we spent approximately \$516,165 on research and development. All of our research and development activities are outsourced and absorbed entirely by us.

We do not have any patents on our system or modules. We rely on trade secrets laws, confidentiality agreements and other contractual commitments to protect our proprietary research and development efforts and intellectual property. These protections may not be adequate to protect our proprietary interests. We cannot assure you that third party competitors will not obtain access of our technical information and exploit it for their own benefit. In such event, we may not have adequate funds available to prosecute actions to protect or to defend our proprietary rights. If our proprietary interests are divulged to the public and we do not have adequate funds to prevent third parties from using these interests for their own use, we may lose our competitive advantage, which may adversely affect our financial condition.

## **Our Industry**

### *Industry Overview*

There are over 15,000 hospitals in the United States and Canada, and more than 10,000 hospitals in Europe, which make up most of the potential market for VisualMED systems and other products derived from the VisualMED proprietary technology platform. According to the Leapfrog Group, relatively few American hospitals have experimented with physician-based clinical support order entry. Fewer than 10% of hospitals have some form of CPOE with decision support, or other similar Clinical Information System. However new federal legislation in the United States and abroad, reflecting a shift in public policy with regard to healthcare information technology (IT), has begun to favor the widespread deployment of IT solutions in the healthcare field.

### *The Healthcare Information Technology Industry □ Recent Developments*

Modern hospitals are under increasing pressure to address mounting evidence of major increases in hospital death due to medical errors and ADEs. According to the benchmark March 2000 report, "To Err is Human", released by the Washington-based Institute of Medicine, up to 100,000 Americans die each year from adverse drug reactions, half of which it considered preventable. Since 2000, evaluations of deaths from ADEs have been as high as 200,000 in the United States, 85,000 in England and 23,000 in Canada.

Medical literature and recent publications from the HIMSS indicate that the introduction of Electronic Medical Record technology that would replace paper-based medical records could significantly reduce the incidence of ADEs and help to contain rising medical costs by increasing the productivity of caregivers.

A coalition of some of America's largest employers and healthcare purchasers helped to create the Leapfrog Group, a nonprofit organization dedicated to promoting information solutions for hospitals. According to the Leapfrog Group, CPOE systems with clinical decision support are deemed to be the core component of an effective clinical information system to replace paper-based records. To date, more than 500 hospitals in the United States have registered with the Leapfrog Group, pledging to move towards the new standards set by the organization for managing healthcare through information technology.

Modernization of the healthcare system is a major part of the national agenda of most western countries. In 2004, the U.S. Department of Health and Human Services appointed its first National Health Information Technology Coordinator, Dr. David Brailer. Mr. Brailer's duties include the execution of actions ordered by President Bush, who has called for widespread deployment of health information technology within the next ten years to realize substantial improvements in healthcare safety and efficiency.

The current presidential administration continues to place a high priority on making electronic health records available to most Americans, a goal set by the President in 2004. According to the Department of Health and Human Services, "widespread use of electronic health records will help ensure Americans receive high quality medical care by providing doctors access to patients' medical history at the time of care." The Administration

supports the adoption of IT as a normal cost of doing business to ensure patients receive high-quality care. To encourage doctors and patients to adopt electronic health records, the

Administration's goal is to promote conditions for a thriving free market. Identifying national standards will help focus development efforts, increase demand for the technology, and ultimately create affordable technology. The creation of the American Health Information Community in the Fall of 2005 was one step toward this goal. This organization will help ensure that there are certified technology products and nationwide interoperability standards, which should help purchasers of IT gain confidence in the investments they make. The 2007 national budget included \$169 million to accelerate progress for this effort, including \$116 million for the Office of the National Coordinator for Health Information Technology; \$50 million for the Agency for Healthcare Research and Quality; and \$3 million for the Office of the Assistant Secretary for Planning and Evaluation. The United States government's continuing and new activities include efforts to:

- Promote nationwide interoperability of health IT systems through an industry-wide process to harmonize standard development, maintenance, and refinements;
- Define the key elements of basic electronic health records for use in clinical settings, develop working prototypes for the use of electronic health data in such priority areas as coordinated chronic disease management and improved ambulatory care, and capture laboratory test data in a standardized way;
- Pursue breakthroughs in health systems architecture, such as rapidly collecting and disseminating public health surveillance data electronically and encouraging the use by patients of their own computer-readable personal health records, containing their complete medical history;
- Work closely with the Centers for Medicare and Medicaid Services (CMS) to advance the use of electronic prescriptions nationally; and
- Continue to address key privacy and security issues to encourage the exchange of health information nationwide.

### **Competition**

There are several large companies that develop and bring to market other forms of Electronic Medical Record and CPOE systems in the United States, such as: Cerner Corporation, Eclipsys Corporation, IDX System Corporation, HBOC-McKesson Corporation, Epic Systems Corporation, Medical Information Technology Incorporated, Misys Healthcare Systems, and more recently such global giants as General Electric, Siemens, IBM and Bell. Management believes that our VisualMED technology offers customers a far richer integrated medical and clinical content delivered to the healthcare provider at point of care, than any other system. In terms of high-priority functionality, VisualMED is consistently rated among the leaders in all systems of its kind, offering us a significant quality advantage when competing for customer contracts. In addition, VisualMED's Clinical Information System is flexible enough that it can be installed in smaller hospitals that are far less attractive to our major competitors, and tailored to the specific needs and policies of that institution. The VisualMED system also provides a multi-lingual platform which gives us a competitive advantage in the international markets.

Due to the relatively lengthy sales cycle involved in the healthcare information technology industry, and the fact that we are significantly smaller and have less financial resources than our competitors, we face an initial disadvantage in the U.S. market. We will have to continue developing new, dynamic and flexible marketing strategies to remain competitive.

### **Diversification of Product Lines**

The healthcare technology industry is undergoing rapid changes, with major software companies, information technology consulting service providers and system integrators, Internet start-ups, and other software companies having the potential to develop specialized healthcare systems to compete with our product. Management feels our success will hinge upon our ability to continue upgrading and improving our system in a timely fashion, using the success of existing implementations to build a steady customer base and revenue stream, while continuing to offer new product lines that meet the technology needs of the market. Significantly, we concluded an agreement this year for use of our technology platform to be used by Medical.MD Inc. of Montreal to support a web-based Personal Health Information System (PHIS) available to subscribers online.

### **Our Suppliers**

We depend on a limited number of third parties to manufacture and supply critical components for our products and services. The infrastructure configuration required to run the VisualMED application in a hospital setting includes products from Microsoft, Oracle, HP, Stratus, Citrix Systems, Verinex Technologies, Digital Persona, IBM, APC Software, NEC and Veritas Software. If any of these third party manufacturers should cease operations or refuse to sell components to us, we may have to suspend or cease operations. We do not have long-term contracts with our suppliers. Supplier commitments are arranged on a project-by-project basis. If our suppliers do not fulfill their obligations, if they stop manufacturing and supplying components critical for our clinical solutions or if the terms for supply, including price, become commercially unreasonable, we may need to search for alternative sources for components. Our search for additional or alternate suppliers could result in significant delays to our system implementation process, added expense and hinder our ability to maintain or expand our business. Any of these events could require us to take unforeseen actions or devote additional resources to provide our products and services and could harm our ability to compete effectively and adversely affect our financial condition.

### **Government Regulation and Legislation**

VisualMED is not required to obtain any governmental approvals to operate in the healthcare technology market. However, the current climate of healthcare information technology legislation requires that companies active in the field be constantly vigilant as new industry norms and standards are tabled and finalized. It is important that governments and healthcare authorities continue to recognize the importance of healthcare reform and the use of information systems, since there rests the impetus for change, hence a healthy, growing market. VisualMED's products are fully compliant with industry norms established by HIPAA and federal and industry policy makers concerning functionality, programming language, transaction code set, privacy, security and medical content.

### **Employees**

As of June 30, 2007, we had fourteen full-time employees, and retained one full-time and thirty-five part-time consultants. Our employees are not unionized. We believe that our relationship with our employees and consultants is good.

### **Risk Factors Associated With Our Business**

You should carefully consider the risks and uncertainties described below and the other information in this annual report. These are not the only risks we face. Additional risks and uncertainties that we are not aware of or that we currently deem immaterial may also impair our business. If any of the following risks actually occur, our business, financial condition and operating results could be materially adversely affected.

*We have a limited operating history.*

We have a limited operating history upon which an evaluation of our future prospects can be made. Our business history has been limited to mining exploration and recently to the emerging field of healthcare IT. Since inception, our operation has been generating losses and we cannot give assurances that we will be successful in generating profits in the future. We are regarded as a new or start-up venture with all of the unforeseen costs, expenses, problems, and difficulties to which such ventures are subject. We cannot give assurances that we will be able to raise the financing necessary to maintain our current operation. Therefore, you may lose your entire investment in us.

*Our auditors have issued a going concern opinion. Therefore, we may not be able to achieve our objectives and may have to suspend or cease operations.*

At this time, we cannot be sure that we will be successful in our operations. Furthermore, as at June 30, 2007, our independent public accountants issued an opinion that there is substantial doubt about our ability to continue in business as a going concern without additional financing and/or generating profits. We cannot assure you that we will be able to raise the requisite amount of additional financing or generate sufficient profit to sustain operations.



*Because we have historically incurred losses and these losses may increase in the future, we must begin generating a profit from our operations. If we do not begin generating a profit we may have to suspend or cease operations.*

We have never been profitable. At June 30, 2007 we had working capital deficit of \$1,511,763. If we do not obtain additional financing or begin generating profit within the next year, we may have to reduce or suspend our operations. In order to become profitable, we will need to generate significant revenues to offset our cost of revenues, sales and marketing, research and development and general and administrative expenses. We may not achieve or sustain our revenue or profit objectives and our losses may continue or increase in the future in which case you might lose your entire investment in our company.

*We have experienced a history of losses and expect to incur future losses. Therefore, we must continue to raise money from investors and seek advances from customers to fund our operations. If we are unable to fund our operations, we will cease doing business.*

We have recorded \$664,758 in revenue from operations to date, and we have incurred a cumulative loss of \$28,728,450 through June 30, 2007. Our losses have resulted principally from costs incurred in marketing, sales, research and development activities related to our efforts to develop our technologies, the associated administrative costs related to these activities, and costs related to discontinued operations. We expect to incur significant operating losses and negative cash flows over the next several quarters due to the costs of expanded research and development of our products. We will need to generate significant revenues in order to achieve and maintain profitability. We may not be able to generate these revenues or achieve profitability in the future. Even if we do achieve profitability, we may not be able to sustain or increase profitability. We are a development stage company focused on developing and implementing our VisualMED systems. We have generated negative revenue to date. Consequently, we must raise money from investors to maintain our operations. If we can't fund our operations through product sales or investments by third parties, we will have to cease operations.

*Because we depend on a limited number of third parties to manufacture and supply critical components for our products and services, if the third party manufacturer should cease operations or refuse to sell components to us, we may have to suspend or cease operations. As a result, you may lose your investment. As a result, you may lose your entire investment in our company.*

If our suppliers do not fulfill their obligations, or if they stop manufacturing and supplying components critical for our VisualMED systems, we may not be capable of finding other suppliers to operate our business. We rely on limited suppliers for a number of key components and do not have long-term agreements with any of our suppliers. If our agreements with these suppliers were terminated or expire, if we were unable to obtain adequate quantities of components critical for our products and services, if the quality of these components was inadequate, or if the terms for supply of these components became commercially unreasonable, our search for additional or alternate suppliers could result in significant delays, added expense and our inability to maintain or expand our business. Any of these events could require us to take unforeseen actions or devote additional resources to provide our products and services and could harm our ability to compete effectively. As a result, you could lose your entire investment in our company.

*Competition from companies with already established marketing links to our potential customers may adversely affect our ability to market our products.*

Current and potential competitors have longer operating histories, larger customer bases, greater brand name recognition and significantly greater financial, marketing and other resources than we have. Certain of our competitors may be able to secure product from vendors on more favorable terms, devote greater resources to marketing and promotional campaigns and adopt more aggressive pricing or inventory availability policies than we will. Given our limited financial resources, we cannot assure you that we will be able to compete successfully against our current and future competitors.

*Our parent company has significant influence over our corporate decisions.*

As of September 27, 2007, our parent company, VHCC, owns approximately 32% of our issued and outstanding common stock. As a result, VHCC is able to significantly influence matters requiring approval of stockholders, including the election of directors and the determination of significant corporate actions.

*Because we do not have any patents, we rely on trade secrets, confidentiality agreements and contractual agreements, which may not be adequate to protect our proprietary interests. If our proprietary interests are divulged to the public, we may lose our competitive edge and have to cease operations.*

We have not obtained patents or copyrights for our solutions. There is no assurance that third party competitors will not obtain access to our technical information and exploit it for their own benefit. In order to protect our propriety rights, we will have to obtain patents or file lawsuits and obtain injunctions. If we do that, we will have to spend large sums of money for attorney's fees in order to obtain the injunctions. Even if we obtain the injunctions, there is no assurance that the parties enjoined would comply with the injunctions. Further, we may not have adequate funds available to prosecute actions to protect or to defend our proprietary rights, in which case those using our proprietary rights may continue to do so in the future.

*We may be exposed to liability claims for which we have limited insurance coverage.*

If we are sued for any reason, including, without limitation, intellectual property infringement, we will have to rely on our limited capital resources and liability insurance to pay any judgment rendered against us. If a judgment is rendered against us for any amount of money over our coverage limit of \$1,000,000, we may have to cease operations.

*Third parties may claim that our current or future products or services infringe their proprietary rights or assert other claims against us.*

As the number of entrants into our market increases, the possibility of an intellectual property or other claim against us grows. Any intellectual property or other claim, with or without merit, would be time-consuming and expensive to litigate or settle and could divert management attention from focusing on our core business. Any successful claim against us would result in our having to pay costs and damages resulting from such claim, develop costly non-infringing technology, if possible, or enter into license agreements, which may not be available on terms acceptable to us, if at all.

*Fluctuations in the value of foreign currencies could result in increased product costs and operating expenses.*

We have suppliers that are located outside Canada and the United States Our functional and reporting currency is the U.S. dollar. The functional currency of our subsidiary is the Canadian dollar. Fluctuations in the value of the Canadian and U.S. dollars are difficult to predict and can cause us to incur currency exchange costs which will adversely affect our financial condition. We have not engaged in any hedging activities to minimize this risk.

*We must be able to respond to rapidly changing technology, services and standards in order to remain competitive.*

Management feels our success will hinge upon our ability to continue upgrading and improving our system in a timely fashion, using the success of existing implementations to build a steady customer base and revenue stream, while continuing to offer new product lines that meet the technology needs of the market. We cannot assure you that our efforts to continually upgrade and improve our systems will be successful. Furthermore, we cannot predict the effect new emerging technology will have on our financial condition and results of operations.

*Because the market for our common stock is limited, you may not be able to resell your shares of common stock.*

There is currently a limited trading market for our common stock. Our common stock trades on the OTC Bulletin Board operated by the National Association of Securities Dealers, Inc. under the symbol "VMCS." As a result, you may not be able to resell your securities in open market transactions.

*Because our common stock is subject to penny stock rules, the liquidity of your investment may be restricted.*

Our common stock is now, and may continue to be in the future, subject to the penny stock rules under the Exchange Act. These rules regulate broker/dealer practices for transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than \$5.00. The penny stock rules require broker/dealers to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker/dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker/dealer and its salesperson and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations and the broker/dealer and salesperson compensation information must be given to the customer orally or in writing prior to completing the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction, the broker and/or dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These additional penny stock disclosure requirements are burdensome and may reduce the trading activity in the market for our common stock. As long as the common stock is subject to the penny stock rules, holders of our common stock may find it more difficult to sell their securities.

## **ITEM 2. DESCRIPTION OF PROPERTY.**

We do not own real property. On November 1, 2004, we entered into a lease agreement for our corporate office. We lease 1,200 square feet of office space at 1035 Laurier St. West, Suite 200, Montreal, Quebec Canada H2V 2L1. The office is leased from 4120345 Canada Inc., for an initial term of five years, which automatically renews for additional five year periods. The rent is \$11,500 per month.

## **ITEM 3. LEGAL PROCEEDINGS.**

From time to time we may be involved in litigation incidental to the conduct of our business, such as contractual matters and employee-related matters. Currently, we are not a party to any material legal proceeding or litigation, whether current or threatened, nor are any of our officers, directors, affiliates or security holders, a party adverse to us in any legal proceeding or litigation.

## **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

No matters were submitted to a vote of shareholders during fiscal 2007.



**PART II****ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.**

Our common stock is traded on the OTC Bulletin Board operated by the National Association of Securities Dealers, Inc. under the symbol "VMCS." Our common stock is also listed for trading on the Frankfurt and Munich Stock Exchanges and the XETRA Stock Exchange, each located in Germany.

On June 30, 2007, the closing price of our common stock, as reported by the OTC Bulletin Board, was \$0.46. As of June 30, 2007, there were a total of 49,728,345 shares of common stock issued and outstanding. Of these shares, 23,697,618 shares are freely tradable and 26,030,727 shares are restricted securities as defined in Rule 144 of the Securities Act of 1933, as amended. As of June 30, 2007, we had 56 holders of record of our common stock.

The following table sets forth the quarterly high and low bid prices per share for the common stock, as reported by the OTC Bulletin Board for the fiscal years indicated. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not represent actual transactions.

<b>Fiscal Quarter</b>	<b>High Bid</b>	<b>Low Bid</b>
<b>2006</b>		
Fourth Quarter	\$4.08	\$1.82
Third Quarter	\$2.37	\$1.81
Second Quarter	\$2.68	\$1.66
First Quarter	\$3.10	\$2.55
<b>2007</b>		
Fourth Quarter	\$0.82	\$0.46
Third Quarter	\$1.52	\$0.77
Second Quarter	\$2.00	\$1.33
First Quarter	\$2.80	\$1.56

**Securities authorized for issuance under equity compensation plans**

Our Board of Directors adopted the 2006 Nonqualified Stock Option Plan (Plan) in March, 2006, October Nonqualified Stock Option Plan in October 2006 and March Nonqualified Stock Option Plan in March 2007. The Plan was adopted to attract and maintain employees, officers, directors and advisors whose services are important to the success of our company. The Board of Directors is responsible for the administration of the Plan, the granting of options under the Plan and the establishment of the terms and conditions the options, including the exercise price and vesting schedule of options. Under the Plan, options may be granted by the Board of Directors for five years following the adoption of the Plan. All unexercised options will terminate five years following the date such options were granted. As of June 30, 2007, options to purchase 1,340,000 shares of our common stock were outstanding.

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> <b>(a)</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b> <b>(b)</b>	<b>Number of securities remaining available for future issuance</b> <b>(c)</b>
Equity compensation plans			

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approved by security holders	□	□	□
Equity compensation plans not approved by security holders	1,340,000	\$1.29	0
Total	1,340,000	\$1.29	0

### **Dividends**

We have not declared any cash dividends in the last two fiscal years. We intend to retain future earnings for use in our business and do not anticipate declaring or paying any cash or stock dividends on shares of our common stock in the near future. In addition, any determination to declare and pay dividends will be made by our Board of Directors in light of our earnings, financial position, capital requirements, limitations under the corporate law of the State of Nevada and other factors that our Board of Directors deems relevant.

### **Transfer Agent**

Our transfer agent is Olde Monmouth Stock Transfer Co., Inc., 200 Memorial Parkway, Atlantic Highlands, New Jersey 07716, Tel: (732) 872-2727

### **Recent Sales of Unregistered Securities**

We commenced a private placement on March 15, 2005 offering a minimum of 2,000,000 units and a maximum of 5,333,333 units at a price of \$0.75 per unit. A unit consisted of one share of common stock and a warrant to purchase one share of common stock at a price of \$1.25 per share for a period up to two years. In March 2005, we completed the private placement and issued 2,275,567 units at \$0.75 per unit. We used the proceeds of this offering to repay outstanding notes payable of \$1,674,612 and accrued interest of \$32,063. In connection with the private placement, we issued:

- 1,321,759 common shares and 1,321,759 warrants to Capex Investments Ltd. in consideration of \$991,319.25;
- 553,370 common shares and 553,370 warrants to Aton Select Fund Ltd. in consideration of \$415,027.50;
- 400,438 common shares and 400,438 warrants to Asset Protection Fund Ltd. in consideration of \$300,328.50;

In consideration for professional services rendered to us in connection with the private placement, we issued:

- 233,333 warrants to purchase common stock at an exercise price of \$0.001 per share to Stephane Solis as a finder's fee;
- 25,000 common shares to Claude Pellerin for professional services rendered to us; and
- 15,000 common shares to the legal firm of HPS Inc., in consideration of legal services rendered to us.

On March 23, 2005, we issued Mr. Solis 160,000 shares of common stock upon his exercise of a portion of the warrant issued to him in connection with the private placement discussed above.

On April 15, 2005, we issued Mr. Solis 73,333 shares of common stock upon his exercise of a portion of the warrant issued to him in connection with the private placement discussed above.

On July 19, 2005, we issued 752,230 shares of common stock upon the exercise of 752,230 warrants at \$1.25 per share for proceeds of \$940,288 (296,138 shares of common stock to Capex Investments Ltd., 214,742 shares of common stock to Aton Select Fund Ltd. and 241,350 shares of common stock to Asset Protection Fund Ltd).

On August 26, 2005, we issued to Capex Investments Ltd. 180,537 shares of common stock upon the exercise of 180,537 warrants at \$1.25 per share for proceeds of \$225,671.

On September 6, 2005, we issued to Capex Investments Ltd. 200,020 shares of common stock upon the exercise of 200,020 warrants at \$1.25 per share for proceeds of \$250,025.

On October 7, 2005, we issued to Capex Investments Ltd. 137,800 shares of common stock upon the exercise of 137,800 warrants at \$1.25 per share for proceeds of \$172,250.

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On November 4, 2005, we issued to Capex Investments Ltd. 67,984 shares of common stock upon the exercise of 67,984 warrants at \$1.25 per share for proceeds of \$84,980.

On November 14, 2005, we issued to Capex Investments Ltd. 100,332 shares of common stock upon the exercise of 100,332 warrants at \$1.25 per share for proceeds of \$125,415.

On December 14, 2005, we issued to Capex Investments Ltd. 138,240 shares of common stock upon the exercise of 138,240 warrants at \$1.25 per share for proceeds of \$172,800.

On January 18, 2006, we issued to Aton Select Fund Ltd. 136,448 shares of common stock upon the exercise of 136,448 warrants at \$1.25 per share for proceeds of \$170,560.

On March 6, 2006, we issued to Asset Protection Fund Ltd. 52,482 shares of common stock upon the exercise of 52,482 warrants at \$1.25 per share for proceeds of \$65,603.

On March 6, 2006, we issued to Asset Protection Fund Ltd. 70,229 shares of common stock upon the exercise of 70,229 warrants at \$1.25 per share for proceeds of \$87,786.

On March 6, 2006, we issued to Aton Select Fund Ltd. 55,320 shares of common stock upon the exercise of 55,320 warrants at \$1.25 per share for proceeds of \$69,150.

On March 9, 2006, we issued to Aton Select Fund Ltd. 53,207 shares of common stock upon the exercise of 53,207 warrants at \$1.25 per share for proceeds of \$66,509.

On March 23, 2006, we issued to Aton Select Fund Ltd. 68,616 shares of common stock upon the exercise of 68,616 warrants at \$1.25 per share for proceeds of \$85,770.

On March 30, 2007, the Company issued 10,000,000 warrants to acquire 10,000,000 shares of common stock at an exercise price of \$0.01 per share for a period of five years. If the Company issues warrants during the five years after March 30, 2007 the Company must issue additional warrants so that the percentage of warrants held remain constant. During the year ended June 30, 2007, the Company recognized the fair value of the warrants of \$7,920,730 as a charge to operations as acquired in-process research and development costs. We currently have 10,000,000 warrants outstanding at a price of \$0.01.

### **ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

#### **Overview**

*It is important to note that we have expanded the application of our technology into new areas of the healthcare industry during 2007. In particular we are focusing the marketing of our technology to private healthcare providers. We refer to the twelve month period ended June 30, 2007, as fiscal 2007, and the twelve month period ended June 30, 2006, as fiscal 2006.*

*At June 30, 2007, the Company had a working capital deficiency of \$1,511,763 and has incurred losses of \$28,474,437 since inception. These factors raise substantial doubt about our ability to continue as a going concern without raising significant additional capital or generating significant revenue in the upcoming fiscal year.*

*We incurred losses of \$14,692,602 for fiscal 2007 as compared to losses of \$7,079,106 in fiscal 2006. The principal component of these losses was costs associated with research and development, sales and marketing,, customer service and general administration. We also incurred professional expenses, depreciation and filing fees.*

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*Operating expenses for fiscal 2007 were \$15,174,536 consisting of in-process research and development expenses of \$7,920,730, sales and marketing expenses of \$3,891,069, general and administrative expense of \$2,093,993, development costs of \$516,165, customer service expense of \$719,159 and depreciation expense of \$33,420.*

### **Marketing Strategy and Recent Developments**

*During 2007, VisualMED continued toward meeting the strategic objectives of diversifying our revenue stream, through the marketing of stand alone modules and the application of our fully scaleable technology to a broader base of healthcare facilities, which include doctors' offices, pharmacies, smaller surgery clinics, rehabilitation facilities and the recent development of a market for our software in dialysis clinics and long-term acute care hospitals. This new marketing activity has resulted in several key contracts. We also continue to sign strategic agreements that will generate future revenues. New consulting agreements were signed that have expanded our sales and marketing reach further into the US, Europe, the Middle East, and Latin America.*

*The most important activity during fiscal 2007 has been the acquisition of technology to support a subscription-based Personal Health Information System (PHIS) available over the internet and currently being developed by our authorized reseller, Medical.MD of Montreal. Medical.MD completed a first round of financing to develop the web-based technology to support the internet application, which is in the final phases of completion. VisualMED and Medical.MD are involved in advanced negotiations for the mass distribution of yearly subscriptions to the PHIS, which promotes access to the potential market for hundreds of thousands of subscribers in the near-term.*

*An agreement was concluded to implement our VisualONCOLOGY module at the Segal Cancer Center of the Montreal Jewish General Hospital. Installation of machines, software and interfaces were completed in late September 2007 and the final go-live date is set for November 26, 2007. VisualMED will shortly be operating in the Oncology, and in the Colorectal Surgery Departments at this hospital.*

*Given that our technology is set to run in 6 healthcare facilities we still need to deploy in six more facilities in order to reach our strategic threshold of 12 installed sites. We continue to pursue opportunities in order to build our base of client hospitals and healthcare facilities toward reaching a critical mass of 12. Once this threshold is reached this should open the way to an acceleration in the rate of additional acquisitions by potential customers. In the interim, our new stand alone modules are more easily affordable to prospective clients, including small practices, clinics and private specialty facilities whose decision making timeframe is much shorter than regular hospitals: typically months instead of years. We recently released our new VisualANESTHESIOLOGY module and signed our first contract for VisualDENTISTRY. These new modules are much faster to implement and reduce integration time to one of the most efficient in the industry. These systems are fully scalable, helping us to target the small and medium-sized clients that form the bulk of our current and potential market .*

*VisualDENTISTRY has been positively reviewed by dentists and we expect the success of VisualDENTISTRY to open the private dental clinic market to us. This is a field in which few of our competitors are active.*

*The selection by the Segal Cancer Center of the Montreal Jewish General Hospital to implement VisualONCOLOGY, has focused considerable market attention to our system capabilities. The ASCO (American Society of Clinical Oncology) conference in Chicago was a key opportunity to show market the comprehensive clinical functionalities of this module.*

*Our marketing and sales strategy continues for the VisualMED system, and other product lines. We have hired, and intend to continue hiring, sales and marketing executives and consultants as our business grows. Our relationship with Maximum Health has opened the door for our company into a large market of doctor-owned hospitals and surgery centers. At the time of this filing we have an agreement to support a service center for a private medical practice in Southern California.*

*The sales effort will continue to target regions where current legal regulations encourage the adoption of our clinical management modules. As well our efforts remain in areas that are in close proximity to our existing sites in Wichita, Kansas, Battle Creek, Michigan, El Paso, Texas and Montreal. These markets are being aggressively pursued through the creation of sales consortiums that bring together local healthcare consultants, hardware vendors and local systems integrators. We are proud to report that current installations continue to operate at full capacity with zero downtime at all of our client facilities.*

*Negotiations are still on going with several hospital management groups in Europe. We have begun the slow process of establishing a relationship with the new Italian government, and physicians and local authorities of two Italian provinces. We remain confident that a first VisualMED implementation is imminent. The French healthcare shareable Electronic Medical Record initiative has been put on hold during the political transition in*

*that country, however we hope to form new relationships with the new government.*

Most significantly, we have begun to negotiate with the medical department of a major French Corporation which would pay for employees to sign on to a web-based PHIS that would be offered in a joint venture with Medical.MD.

System-wide improvements were made to our technology platform to make VisualMED compatible with ASP and internet distribution. In order to support our commitment to the internet- and clinics-based ASP market, we have had to acquire additional rights to technology and specialized applications from Visual Healthcare Corp. Even though this acquisition was costly, at more than \$7 million, the potential for revenue growth amply justifies this strategic acquisition. As the [hospital market] decision making process is extremely slow the company requires this type of technology to enter markets that are governed by a faster turnaround timeframe. These new technologies and applications allow for extremely low integration costs, executed over a matter of days. We expect these factors to significantly boost our market presence in the short term.

Management believes that the diversification of our revenue sources into markets other than those governed by institutions and governments represents a watershed change in orientation intended to offset the disappointing revenue growth from the hospital sector. We are now offering our tools to a growing segment of the private healthcare sector which views embracing new technology as a necessary tool to compete against the much slower reacting public sector.

### **Financial Condition, Liquidity and Capital Resources**

At June 30, 2007, all of our principal capital resources have been acquired through the issuance of our common stock, loans from officers of the Company, and revenue from sales. Cash generated from operations was \$228,109 for fiscal 2007.

At June 30, 2007, we had a negative working capital of \$1,511,763, as compared to a deficiency of \$74,429 at June 30, 2006. We had cash on hand of \$123,318 at June 30, 2007. We had a net loss of \$14,692,602 for fiscal 2007 and \$7,079,106 for fiscal 2006. At June 30, 2007, our total assets were \$467,873, as compared to \$392,878 at June 30, 2006. At June 30, 2007, our total liabilities increased to \$1,928,446 from \$400,785 at June 30, 2006.

We will need to raise additional equity/debt financing to sustain operations over the next 12 months. Our auditors have expressed substantial doubt about our ability to continue as a going concern in their audit report.

### **Critical Accounting Policies**

Our discussion and analysis of financial condition and results of operations are based upon the Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of Consolidated Financial Statements require management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures on the date of the Consolidated Financial Statements. On an on-going basis, we evaluate our estimates, including, but not limited to, those related to revenue recognition.

We use authoritative pronouncements, historical experience and other assumptions as the basis for making judgments. Actual results could differ from those estimates. Critical accounting policies identified are as follows:

#### **Long-Lived Assets**

In accordance with SFAS No. 144, [Accounting for the Impairment or Disposal of Long-Lived Assets], we test long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life.

Recoverability is assessed based on the carrying amount of the asset and its fair value which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized when the



*carrying amount is not recoverable and exceeds fair value*

**Foreign Currency Transactions/Balances**

*Our functional and reporting currency is the United States dollar. The functional currency of our subsidiary is the Canadian dollar. The Consolidated Financial Statements of the subsidiary are translated to United States dollars in accordance with SFAS No. 52 [Foreign Currency Translation] using period-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. Foreign currency transaction gains and losses are included in current operations.*

**Revenue Recognition**

*The Company recognizes revenue related to sales and licensing of medical software in accordance with Statement of Position No. 97-2, [Software Revenue Recognition] ([SOP 97-2]), as amended by Statement of Position No. 98-9, [Software Revenue Recognition with Respect to Certain Arrangements]. Pursuant to SOP 97-2 and Staff Accounting Bulletin No. 104 [Revenue Recognition], revenue will only be recognized when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectibility is reasonably assured. The Company's revenue contracts are accounted for in conformity with Accounting Research Bulletin No. 45 [Long-Term Construction-Type Contracts] ([ARB 45]), using the relevant guidance in SOP 81-1 [Accounting for Performance of Construction-Type and Certain Production-Type Contracts], unless specified criteria for separate accounting for any service element are met. The Company uses the completed contract method to recognize revenues from long-term service contracts. Licensing revenue is recognized if all criteria pursuant to SAB 104 are met. The Company also follows the guidance in Emerging Issues Task Force ([EITF]) Issue No. 00-21 [Revenue Arrangements with Multiple Deliverables] relating to the separability of deliverables included in an arrangement into different units of accounting and the allocation of an arrangement's consideration to those units of accounting. It does not address when revenue should be recognized for the units of accounting.*

**Development Costs**

*Costs related to the enhancement of existing medical software modules are expensed as incurred until technological feasibility in the form of a working model has been established. The time period between the establishment of technological feasibility and completion of product development is expected to be short, therefore the Company has not capitalized any product development costs during the period.*

**ITEM 7. CONSOLIDATED FINANCIAL STATEMENTS**

**PART I.**

**ITEM 1. - Financial Statements**

VisualMED Clinical Solutions Corp.  
(A Development Stage Company)

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Directors  
of VisualMED Clinical Solutions Corp.  
(A Development Stage Company)

We have audited the accompanying consolidated balance sheets of VisualMED Clinical Solutions Corp. (A Development Stage Company) as of June 30, 2007 and 2006 and the related consolidated statements of operations, cash flows and stockholders' deficit for the period from September 7, 1999 (Date of Inception) to June 30, 2007 and for each of the years in the two year period ended June 30, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of VisualMED Clinical Solutions Corp. (A Development Stage Company) as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the period from September 7, 1999 (Date of Inception) to June 30, 2007 and for each of the years in the two year period ended June 30, 2007, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has a working capital deficiency and accumulated operating losses. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/MANNING ELLIOTT LLP

CHARTERED ACCOUNTANTS

Vancouver, Canada

September 26, 2007

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VisualMED Clinical Solutions Corp.  
(A Development Stage Company)  
Consolidated Balance Sheets  
(expressed in U.S. dollars)

	June 30, 2007 \$	June 30, 2006 \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash	123,318	10,976
Accounts receivable	130,717	2,550
Advances to related parties (Note 3)	29,231	30,175
Prepaid expenses (Note 4)	122,250	249,517
Inventory	3,226	13,587
Other assets	7,941	16,319
<b>Total Current Assets</b>	<b>416,683</b>	<b>323,124</b>
Property and Equipment (Note 5)	51,190	69,754
<b>Total Assets</b>	<b>467,873</b>	<b>392,878</b>
<b>Liabilities and Stockholders' Deficit</b>		
<b>Current Liabilities</b>		
Accounts payable	1,387,121	220,785
Accrued liabilities (Note 6)	197,401	155,526
Advances from related parties (Note 7)	42,288	□
Current portion of capital lease obligation	3,386	3,951
Deferred revenue (Note 2(l))	298,250	17,291
<b>Total Current Liabilities</b>	<b>1,928,446</b>	<b>397,553</b>
Capital Lease Obligation	□	3,232
<b>Total Liabilities</b>	<b>1,928,446</b>	<b>400,785</b>
Contingencies and Commitments (Notes 1 and 14)		
Subsequent Events (Note 17)		
<b>Stockholders' Deficit</b>		
Preferred Stock, (Note 8)		
Authorized: 15,000,000 shares, Series A 10% Cumulative; par value \$0.00001;		
No shares issued and outstanding	□	□
Authorized: 10,000,000 shares, Undesignated; par value \$0.00001;		
No shares issued and outstanding	□	□
<b>Common Stock, (Note 9)</b>		
Authorized: 100,000,000 shares, par value \$0.00001;		
Issued and outstanding: 49,728,345 shares (2006 - 46,028,345 shares)	497	460
Additional Paid-in Capital	27,269,830	13,887,221
Common Stock Subscriptions Receivable	(2,450)	□
Accumulated Other Comprehensive Loss	(254,013)	(113,753)
Deficit Accumulated During the Development Stage	(28,474,437)	(13,781,835)
<b>Total Stockholders' Deficit</b>	<b>(1,460,573)</b>	<b>(7,907)</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>467,873</b>	<b>392,878</b>

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

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VisualMED Clinical Solutions Corp.  
(A Development Stage Company)  
Consolidated Statements of Operations  
(expressed in U.S. dollars)  
(Unaudited)

	Accumulated from September 7, 1999 (Date of Inception) to June 30, 2007 \$	For the Year Ended June 30, 2007 \$	For the Year Ended June 30, 2006 \$
Revenue	664,758	355,812	308,946
Cost of sales	188,816	13,587	175,229
Gross Profit	475,942	342,225	133,717
Expenses			
Acquired in-process research and development (Note 12)	7,920,730	7,920,730	□
Amortization	60,934	33,420	22,758
Customer service	1,766,313	719,159	618,144
Development costs	2,170,617	516,165	1,093,096
General and administration	4,839,786	2,093,993	2,058,500
Sales and marketing	7,534,541	3,891,069	3,559,861
Total Expenses	24,292,921	15,174,536	7,352,359
Net Loss From Operations	(23,816,979)	(14,832,311)	(7,218,642)
Other Income (Expenses)			
Interest	(41,277)	(3,196)	1,637
Financing costs	(4,514,285)	□	□
Foreign exchange gain	280,181	142,905	130,244
Gain on forgiveness of interest	7,655	□	7,655
Gain on forgiveness of debt	12,689	□	□
Net Loss Before Discontinued Operations	(28,072,016)	(14,692,602)	(7,079,106)
Discontinued Operations	(402,421)	□	□
Net Loss	(28,474,437)	(14,692,602)	(7,079,106)
Other Comprehensive Loss			
Foreign currency translation adjustments	(254,013)	(140,260)	(106,582)
Comprehensive Loss	(28,728,450)	(14,832,862)	(7,185,688)
Net Loss Per Share □ Basic and Diluted		(0.31)	(0.16)

Weighted Average Shares Outstanding	47,508,000	44,163,000
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(The accompanying notes are an integral part of these consolidated financial statements)

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VisualMED Clinical Solutions Corp.  
(A Development Stage Company)  
Consolidated Statements of Cash Flows  
(expressed in U.S. dollars)

	Accumulated from September 7, 1999 (Date of Inception) to June 30, 2007 \$	For the Year Ended June 30, 2007 \$	For the Year Ended June 30, 2006 \$
<b>Operating Activities</b>			
Net loss	(28,474,437)	(14,692,602)	(7,079,106)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>			
Acquired in process research and development	7,920,730	7,920,730	□
Amortization	62,476	33,420	22,758
Stock-based compensation	14,448,306	5,006,598	4,655,200
Common stock issued for interest	32,063	□	□
Common stock issued for services	441,250	360,000	□
Write-off of assets	3,568	□	□
Gain on forgiveness of interest	(7,655)	□	(7,655)
Gain on settlement of debt	(12,689)	□	□
<b>Changes in operating assets and liabilities</b>			
Advances receivable	(587,948)	(128,167)	(31,238)
Accounts receivable	3,827	3,827	58,721
Prepaid expenses	(29,602)	219,316	205,859
Inventory	(3,226)	10,361	(13,587)
Other assets	(5,973)	9,154	(615)
Deferred revenue	728,250	280,958	(49,708)
Due to related party	12,822	□	□
Accounts payable and accrued liabilities	1,570,446	1,204,514	163,731
<b>Net Cash From (Used In) Operating Activities</b>	<b>(3,897,792)</b>	<b>228,109</b>	<b>(2,075,640)</b>
<b>Investing Activities</b>			
Purchase of property and equipment	(95,432)	(13,180)	(54,265)
<b>Net Cash Used In Investing Activities</b>	<b>(95,432)</b>	<b>(13,180)</b>	<b>(54,265)</b>
<b>Financing Activities</b>			
Advances from related party	38,556	38,556	□
Proceeds from short term loans	521,749	□	521,749
Proceeds from the sale of common stock	1,490,213	4,900	1,379,093
Repayment of capital lease obligation	(7,311)	(3,886)	(3,425)
Proceeds from notes payable	2,326,476	□	□

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Net Cash Provided By Financing Activities	4,369,683	39,570	1,897,417
Effect of Exchange Rate Changes on Cash	(253,141)	(142,157)	(104,947)
Increase (Decrease) in Cash	123,318	112,342	(337,434)
Cash □ Beginning of Period	□	10,976	348,410
Cash □ End of Period	123,318	123,318	10,976
Non-Cash Investing and Financing Activities			
Common stock issued in settlement of advances	133	□	□
Common stock issued for mining claims	2,644	□	□
Common stock issued for services	732,223	360,000	□
Common stock issued for settlement of notes payable and accrued interest, net	2,853,884	□	1,165,959
Common stock issued for property and equipment	4,000	□	□
Warrants issued for financing services	662,440	□	□
Capital lease obligation recognized for assets under capital lease	10,520	□	□
Supplemental Disclosures			
Interest paid		□	□
Income taxes paid		□	□

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

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VisualMED Clinical Solutions Corp.

(A Development Stage Company)

Consolidated Statements of Stockholders' Deficit

For the Period from September 7, 1999 (Date of Inception) to June 30, 2007

(expressed in U.S. dollars)

	Common Stock		Additional Paid-In Capital		Deficit Accumulated		Total
	Number	Amount	Paid-In Capital	Other Comprehensive Loss	During the Development Stage		
	#	\$	\$	\$	\$	\$	\$
Balance □ September 7, 1999 (Date of Inception)	□	□	□	□	□	□	□
Issuance of common stock for services, mining claims and payment of advances at \$.011 per share	37,500,000	375	274,625	□	□	□	275,000
Net loss	□	□	□	□	(294,522)	(294,522)	(294,522)
Balance □ June 30, 2000	37,500,000	375	274,625	□	(294,522)	(294,522)	(19,522)
Issuance of common stock for cash at \$0.02 per share	7,966,500	80	106,140	□	□	□	106,220
Net loss	□	□	□	□	(38,069)	(38,069)	(38,069)
Balance □ June 30, 2001	45,466,500	455	380,765	□	(332,591)	(332,591)	48,629
Net loss	□	□	□	□	(41,281)	(41,281)	(41,281)
Balance □ June 30, 2002	45,466,500	455	380,765	□	(373,872)	(373,872)	7,348
Net loss	□	□	□	□	(18,202)	(18,202)	(18,202)
Balance □ June 30, 2003	45,466,500	455	380,765	□	(392,074)	(392,074)	(10,854)
Net loss	□	□	□	□	(9,204)	(9,204)	(9,204)
Balance □ June 30, 2004	45,466,500	455	380,765	□	(401,278)	(401,278)	(20,058)
Return and cancellation of common stock	(37,500,000)	(375)	375	□	□	□	□
Issue of common stock for acquisition of assets from VisualMED Clinical Solutions Corporation	31,866,000	319	3,681	□	□	□	4,000
Issue of common stock for cash at \$0.75 per share, net of financing costs of \$18,750	2,275,567	23	1,687,902	□	□	□	1,687,925
Issue of common stock for services at \$2.50 per share	40,000	□	100,000	□	□	□	100,000
Issue of common stock by exercise of cashless warrants at \$0.00001 per share	233,333	2	(2)	□	□	□	□
Stock-based compensation	□	□	4,514,285	□	□	□	4,514,285
Foreign currency translation adjustment	□	□	□	(7,171)	□	□	(7,171)
Net loss	□	□	□	□	(6,301,451)	(6,301,451)	(6,301,451)
Balance □ June 30, 2005	42,381,400	424	6,687,006	(7,171)	(6,702,729)	(6,702,729)	(22,470)

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

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VisualMED Clinical Solutions Corp.

(A Development Stage Company)

Consolidated Statements of Stockholders' Deficit (continued)

For the Period from September 7, 1999 (Date of Inception) to June 30, 2007

(expressed in U.S. dollars)

	Common Stock Number #	Common Stock Amount \$	Additional Paid-In Capital \$	Common Stock Subscription Receivable \$	Accumulated Other Comprehensive Loss \$	Deficit Accumulated During the Development Stage \$
Balance □ June 30, 2005	42,381,400	424	6,687,006	□	(7,171)	(6,702,729)
Issue of common stock for cash at \$0.49 per share upon exercise of stock options	30,500	□	14,945	□	□	□
Issue of common stock for cash at \$1.25 per share upon exercise of warrants	1,080,678	11	1,350,836	□	□	□
Issue of common stock to settle notes payable upon exercise of warrants	932,767	9	1,165,950	□	□	□
Issue of common stock for cash at \$1.90 per share upon exercise of stock options	7,000	□	13,300	□	□	□
Issue of common stock at \$0.00001 per share upon exercise of stock options	1,596,000	16	(16)	□	□	□
Stock-based compensation	□	□	4,655,200	□	□	□
Foreign currency translation adjustment	□	□	□	□	(106,582)	□
Net loss	□	□	□	□	□	(7,079,106)
Balance □ June 30, 2006	46,028,345	460	13,887,221	□	(113,753)	(13,781,835)
Issue of common stock for cash at \$0.49 per share upon exercise of stock options	15,000	□	7,350	(2,450)	□	□
Issue of common stock for services at \$1.80 per share	200,000	2	359,998	□	□	□
Issue of common stock at \$0.00001 per share upon exercise of stock options	3,485,000	35	□	□	□	□
Fair value of warrants issued	□	□	7,920,730	□	□	□
Stock-based compensation	□	□	5,094,531	□	□	□
Foreign currency translation adjustment	□	□	□	□	(140,260)	□
Net loss	□	□	□	□	□	(14,692,602)
Balance □ June 30, 2007	49,728,345	497	27,269,830	(2,450)	(254,013)	(28,474,437)

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

1. Development Stage Company

The Company was incorporated in the State of Nevada on September 7, 1999. The Company changed its name to VisualMed Clinical Solutions Corp. on November 30, 2004. The Company's majority shareholder is Visual Healthcare Corporation, which is a Nevada corporation, based in Montreal, Canada.

The Company's business plan involves the distribution of medical software. The Company is primarily involved in activities related to the distribution of medical software and is considered to be a development stage company. At June 30, 2007, the Company had a working capital deficiency of \$1,511,763 and has incurred losses of \$28,474,437 since inception. The ability of the Company to emerge from the development stage with respect to any planned principal business activity is dependent upon its successful efforts to raise additional equity financing and then attain profitable operations. There is no guarantee that the Company will be able to complete any of the above objectives. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern. These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

Management plans to seek additional capital through equity and/or debt offerings and has asked for the continued financial support of related parties. Subsequent to June 30, 2007, the Company received loans of \$105,795 from officers of the Company and a third party, as described in Note 17(c).

2. Summary of Significant Accounting Principles

a) Basis of Presentation and Fiscal Year

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. The Company has not produced any revenues from its principal business and is a development stage company as defined by Statement of Financial Accounting Standard (SFAS) No. 7 "Accounting and Reporting by Development Stage Enterprises". These financial statements include the accounts of the Company and its wholly-owned subsidiary, VisualMed Clinical Systems Marketing Inc., a company incorporated and based in Quebec, Canada. All intercompany transactions and balances have been eliminated. The Company's fiscal year-end is June 30.

b) Use of Estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. The Company regularly evaluates estimates and assumptions related to useful life and recoverability of long-lived assets, allowances for doubtful accounts, sales returns and allowances, inventory reserves, stock-based compensation expense, warranty liabilities and deferred income tax asset valuations. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

2. Summary of Significant Accounting Policies (continued)

d) Allowance for Doubtful Accounts

The Company evaluates the collectibility of accounts receivable based on a combination of factors. In cases where the Company is aware of circumstances that may impair a specific customer's ability to meet its financial obligations subsequent to the original sale, the Company will record an allowance against amounts due, and thereby reduce the net recognized receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes allowances for doubtful accounts based on the length of time the receivables are past due, industry and geographic concentrations, the current business environment and the Company's historical experience. The allowance for doubtful accounts as of June 30, 2007 was \$nil (2006 - \$nil).

e) Property and Equipment

Property and equipment is stated at cost, less accumulated amortization, and consists of office furniture, computer hardware and software, leasehold improvements and assets under capital lease. Amortization of office furniture is computed using the straight-line method over five years. Amortization of computer hardware and software is computed using the straight-line method over three years. Amortization of leasehold improvements is computed using the straight-line method over five years. Amortization of assets under capital lease is computed using the straight-line method over the term of the lease.

f) Long-Lived Assets

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life.

Recoverability is assessed based on the carrying amount of the asset and its fair value which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

g) Foreign Currency Transactions and Translation of Foreign Subsidiaries

The Company's functional and reporting currency is the United States dollar. The functional currency of the Company's subsidiary is the Canadian dollar. The financial statements of the subsidiary are translated to United States dollars in accordance with SFAS No. 52 "Foreign Currency Translation" using period-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. Foreign currency transaction gains and losses are included in current operations.

h) Development Costs

Costs related to the enhancement of internally developed or purchased medical software modules are charged to operations as incurred until technological feasibility in the form of a working model has been established. The time period between the establishment of technological feasibility and completion of product development is expected to be short; therefore the Company has not capitalized any product development costs during the period.

i) Basic and Diluted Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128, "Earnings per Share" which requires presentation of both basic and diluted earnings per share

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2. Summary of Significant Accounting Policies (continued)

i) Basic and Diluted Net Income (Loss) Per Share (continued)

(EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using the treasury stock method, and convertible preferred stock, using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS and the weighted average number of common shares exclude all dilutive potential shares since their effect is anti-dilutive. Shares underlying these securities totalled 11,640,000 as of June 30, 2007.

j) Financial Instruments and Concentrations

The carrying value of cash, accounts receivable, advances to related parties, other assets, accounts payable, accrued liabilities, advances from related parties and capital lease obligation approximate fair value due to the relatively short maturity of these instruments. Financial instruments which potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. The Company deposits cash with a high quality financial institution. For the year ended June 30, 2007, revenue from one customer represented 90% (2006 □ 52%) of total revenue and from a second customer represented 6% (2006 □ 46%) of total revenue. At June 30, 2007 and 2006, one customer represented 100% of accounts receivable.

k) Inventory

Inventory consists of computer hardware and software acquired for specific revenue contracts. Inventory is stated at the lower of cost or net realizable value.

l) Revenue Recognition

The Company recognizes revenue related to sales and licensing of medical software in accordance with Statement of Position No. 97-2, □Software Revenue Recognition□ (□SOP 97-2□), as amended by Statement of Position No. 98-9, □Software Revenue Recognition with Respect to Certain Arrangements□. Pursuant to SOP 97-2 and Staff Accounting Bulletin No. 104 □Revenue Recognition□, revenue will only be recognized when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectibility is reasonably assured. The Company's revenue contracts are accounted for in conformity with Accounting Research Bulletin No. 45 □Long-Term Construction-Type Contracts□ (□ARB 45□), using the relevant guidance in SOP 81-1 □Accounting for Performance of Construction-Type and Certain Production-Type Contracts□, unless specified criteria for separate accounting for any service element are met. The Company uses the completed contract method to recognize revenues from long-term service contracts. Licensing revenue is recognized if all revenue recognition criteria pursuant to SAB 104 are met. The Company also follows the guidance in Emerging Issues Task Force (□EITF□) Issue No. 00-21 □Revenue Arrangements with Multiple Deliverables□ relating to the separability of deliverables included in an arrangement into different units of accounting and the allocation of an arrangement's consideration to those units of accounting. It does not address when revenue should be recognized for the units of accounting. The Company received \$39,000 during the year ended June 30, 2007 for annual license renewal fees. At June 30, 2007, the balance of deferred revenue, which relates to the unearned portion received of annual license fees, is \$19,000 (2006 - \$17,291). During the year ended June 30, 2007, the Company also received an advance of \$279,250 pursuant to a licensing agreement. This amount is recorded in deferred revenue. Incremental direct costs related to contract acquisition and origination, which result in deferred revenue, are charged to operations as incurred. Any significant customer accounts that are not reasonably assured to be collected are excluded from revenues. During the year ended June 30, 2007, the Company licensed technology to a customer for \$1,410,600 (\$1,500,000 CAD). At June 30, 2007, \$1,092,080 (\$1,163,000 CAD) has been excluded from revenues as collectability was considered by management to not be reasonably assured.





2. Summary of Significant Accounting Policies (continued)

m) Comprehensive Loss

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. For the years ended June 30, 2007 and 2006, the Company's only component of comprehensive loss was foreign currency translation adjustments.

n) Reclassifications

Certain reclassifications have been made to the prior period's financial statements to conform to the current period's presentation.

o) Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted SFAS No. 109 "Accounting for Income Taxes" as of its inception. Pursuant to SFAS No. 109 the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefit of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

p) Advertising Costs

Advertising costs are charged to operations as incurred.

q) Warranty Expense

Some of the Company's software or hardware products carry a warranty for the duration of the license term. The Company's liability is limited to the repair or replacement of the defective product and the refund of amounts paid for defective products. The Company establishes reserves for estimated product warranty costs at the time revenue is recognized based upon its historical experience and additionally for any known product warranty issues. At June 30, 2007, management has deemed that no reserve should be accrued. As of June 30, 2007, the Company has not experienced a significant amount of warranty expense.

r) Stock-based Compensation

Prior to January 1, 2006, the Company accounted for stock-based awards under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" using the intrinsic value method of accounting. Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123R "Share Based Payments", using the modified retrospective transition method. The Company had not issued any stock options and had no unvested share based payments prior to January 1, 2006. Accordingly, there was no effect on the Company's reported loss from operations, cash flows or loss per share as a result of adopting SFAS No 123R.

s) Recently Issued Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115". This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after

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November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, Fair Value Measurements. The adoption of th is statement is not expected to have a material effect on the Company's financial statements.

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2. Summary of Significant Accounting Policies (continued)

s) Recently Issued Accounting Pronouncements (continued)

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". The objective of SFAS No. 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statements No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a two-step method of first evaluating whether a tax position has met a more likely than not recognition threshold and second, measuring that tax position to determine the amount of benefit to be recognized in the financial statements. FIN 48 provides guidance on the presentation of such positions within a classified statement of financial position as well as on derecognition, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

t) Recently Adopted Accounting Pronouncements

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB No. 108 in fiscal 2007 did not have a material effect on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" an amendment of FASB Statements No. 87, 88, 106, and 132(R). This statement requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement in fiscal 2007 did not have a material effect on the Company's financial statements.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". This statement requires all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits for subsequent measurement using either fair value measurement with changes in fair value reflected in earnings or the amortization and impairment requirements of Statement No. 140. The subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value eliminates the necessity for entities that manage the risks inherent in servicing assets and servicing liabilities with derivatives to qualify for hedge accounting treatment and eliminates the characterization of declines in fair value as impairments or direct write-downs. SFAS No. 156 is effective for an entity's first fiscal year beginning after September 15, 2006. The early adoption of this statement in fiscal 2007 did not have a material effect on the Company's financial statements.

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2. Summary of Significant Accounting Policies (continued)

t) Recently Adopted Accounting Pronouncements (continued)

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140", to simplify and make more consistent the accounting for certain financial instruments. SFAS No. 155 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities"; to permit fair value re-measurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, "Accounting for the Impairment or Disposal of Long-Lived Assets", to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 applies to all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, with earlier application allowed. The early adoption of this statement in fiscal 2007 did not have a material effect on the Company's financial statements.

3. Advances to Related Parties

	June 30, 2007	June 30, 2006
	\$	\$
Advances to employees	29,231	30,175

Advances to employees represent amounts advanced towards travel expenses to be incurred and are non-interest bearing and unsecured.

4. Prepaid Expenses

	June 30, 2007	June 30, 2006
	\$	\$
Rent	91,419	□
Directors and officers insurance	14,568	33,640
Prepaid expenses related to Medicool contract	□	204,587
Security deposit	4,232	□
Other	12,031	11,290
	122,250	249,517

5. Property and Equipment

	Cost \$	Accumulated Amortization	June 30, 2007 Net carrying value \$	June 30, 2006 Net carrying value \$
Computer hardware	63,846	36,224	27,622	38,023
Computer software	29,425	17,814	11,611	15,873
Office furniture	13,155	6,223	6,932	9,128
Leasehold improvements	10,130	5,105	5,025	6,730

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116,556	65,366	51,190	69,754
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Assets under capital lease with a cost of \$12,151 are included in office furniture. During the year ended June 30, 2007, the Company recognized amortization of assets under capital lease of \$2,282 (2006 □ \$3,133).

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## 6. Accrued Liabilities

	June 30, 2007	June 30, 2006
	\$	\$
Salaries, wages and vacation pay	197,401	112,276
Professional fees	□	35,000
Other	□	8,250
	197,401	155,526

## 7. Advances from Related Parties

	June 30, 2007	June 30, 2006
	\$	\$
Advances from an officer	42,288	□

Advances from an officer of the Company bear interest at 15% per annum, are unsecured and have no fixed terms of repayment.

## 8. Preferred Stock

On January 12, 2006, the Company amended its Articles of Incorporation to increase the authorized share capital to 125,000,000 shares consisting of 100,000,000 shares of common stock, and share capital to 125,000,000 shares consisting of 100,000,000 shares of common stock, and 25,000,000 shares of preferred stock, of which 15,000,000 have been designated as Series A 10% Cumulative Preferred Stock. The Series A 10% Cumulative Preferred Stock has a par value of \$0.00001 per share, a stated value of \$1.00 per share and are non-voting. The holders of the Series A Preferred Stock will be entitled to receive an annual dividend equal to 10% per annum of the stated value of \$1.00 per share payable, at the option of the Board of Directors, in either cash or in shares of Series A Preferred Stock.

## 9. Common Stock

For the Year Ended June 30, 2007:

- a) In June 2007, the Company issued 30,000 shares of common stock upon the exercise of 30,000 stock options at an exercise price of \$0.00001 per share.
- b) In May 2007, the Company issued 500,000 shares of common stock upon the exercise of 500,000 stock options at an exercise price of \$0.00001 per share.
- c) In April 2007, the Company issued 250,000 shares of common stock upon the exercise of 250,000 stock options at an exercise price of \$0.00001 per share.
- d) In March 2007, the Company issued 1,190,000 shares of common stock upon the exercise of 1,190,000 stock options at an exercise price of \$0.00001 per share.
- e) In February 2007, the Company issued 200,000 shares of common stock upon the exercise of 200,000 stock options at an exercise price of \$0.00001 per share.
- f) In February 2007, the Company issued 5,000 shares of common stock upon the exercise of 5,000 stock options at an exercise price of \$0.49 per share for proceeds of \$2,450. The proceeds are receivable at



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June 30, 2007 and are recorded as stock subscriptions receivable.

- g) In January 2007, the Company issued 389,000 shares of common stock upon the exercise of 389,000 stock options at an exercise price of \$0.00001 per share.
- h) In November 2006, the Company issued 101,000 shares of common stock upon the exercise of 101,000 options at an exercise price of \$0.00001 per share.

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9. Common Stock (continued)

- i) On November 13, 2006, the Company issued 200,000 shares of common stock at a fair value of \$360,000 in exchange for services pursuant to an investor relations agreement. Refer to Note 14(c).
- j) In October 2006, the Company issued 825,000 shares of common stock upon the exercise of 825,000 options at an exercise price of \$0.00001 per share.
- k) In July 2006, the Company issued 10,000 shares of common stock upon the exercise of 10,000 options at an exercise price of \$0.49 per share for proceeds of \$4,900.

For the Year Ended June 30, 2006:

- l) In June 2006, the Company issued 439,000 shares of common stock upon the exercise of 439,000 options at an exercised price of \$0.00001.
- m) On June 5, 2006, the Company issued 5,500 shares of common stock upon the exercise of 5,500 options at an exercise price of \$0.49 per share for proceeds of \$2,695.
- n) In May 2006, the Company issued 148,500 shares of common stock upon the exercise of 148,500 options at an exercised price of \$0.00001.
- o) On May 8, 2006, the Company issued 3,500 shares of common stock upon the exercise of 3,500 options at an exercise price of \$1.90 per share for proceeds of \$6,650.
- p) In April 2006, the Company issued 503,500 shares of common stock upon the exercise of 503,500 options at an exercised price of \$0.00001.
- q) On April 21, 2006, the Company issued 3,500 shares of common stock upon the exercise of 3,500 options at an exercise price of \$1.90 per share for proceeds of \$6,650.
- r) On April 21, 2006, the Company issued 20,000 shares of common stock upon the exercise of 20,000 options at an exercise price of \$0.49 per share for proceeds of \$9,800.
- s) On April 3, 2006, the Company issued 5,000 shares of common stock upon the exercise of 5,000 options at an exercise price of \$0.49 per share for proceeds of \$2,450.
- t) On March 24, 2006, the Company issued 68,616 shares of common stock upon the exercise of 68,616 warrants at an exercise price of \$1.25 per share for proceeds of \$85,770.
- u) On March 13, 2006, the Company issued 53,207 shares of common stock upon the exercise of 53,207 warrants at an exercise price of \$1.25 per share for proceeds of \$66,509.
- v) On March 6, 2006, the Company issued 178,031 shares of common stock upon the exercise of 178,031 warrants at an exercise price of \$1.25 per share for proceeds of \$222,539.
- w) On March 3, 2006, the Company issued 505,000 shares of common stock upon the exercise of 505,000 options at an exercise price of \$0.00001 per share.
- x) On January 20, 2006, the Company issued 136,448 shares of common stock upon the exercise of 136,448 warrants at an exercise price of \$1.25 per share for proceeds of \$170,560.
- y) On December 14, 2005, the Company issued 138,240 shares of common stock upon the exercise of 138,240 warrants at an exercise price of \$1.25 per share for proceeds of \$172,800.
- z) On December 2, 2005, the Company issued 100,332 shares of common stock upon the exercise of 100,332 warrants at an exercise price of \$1.25 per share for proceeds of \$125,415.

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- aa) On November 4, 2005, the Company issued 67,984 shares of common stock upon the exercise of 67,984 warrants at an exercise price of \$1.25 per share for proceeds of \$84,980.
- bb) On October 7, 2005, the Company issued 137,800 shares of common stock upon the exercise of 137,800 warrants at an exercise price of \$1.25 per share for proceeds of \$172,250.
- cc) On September 6, 2005, the Company issued 200,020 shares of common stock upon the exercise of 200,020 warrants at an exercise price of \$1.25 per share for proceeds of \$250,025.
- dd) On August 26, 2005, the Company issued 180,537 shares of common stock upon the exercise of 180,537 warrants at an exercise price of \$1.25 per share to settle notes payable of \$225,671.

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9. Common Stock (continued)

ee) On July 19, 2005, the Company issued 752,230 shares of common stock upon the exercise of 752,230 warrants at an exercise price of \$1.25 per share to settle notes payable of \$940,288.  
Share Purchase Warrants

10. On March 30, 2007, the Company issued 10,000,000 warrants to acquire 10,000,000 shares of common stock at an exercise price of \$0.01 per share for a period of five years. If the Company issues warrants during the five years after March 30, 2007 the Company must issue additional warrants so that the percentage of warrants held remain constant. Refer to Note 12. During the year ended June 30, 2007, the Company recognized the fair value of the warrants of \$7,920,730 as a charge to operations as acquired in-process research and development costs.

The following table summarizes the continuity of the Company's warrants:

	Number of Warrants	Weighted average exercise price \$
Balance, June 30, 2006	262,122	1.25
Issued	10,000,000	0.01
Expired	(262,122)	1.25
Outstanding, June 30, 2007	10,000,000	0.01

At June 30, 2007, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
10,000,000	\$0.01	March 30, 2012

11. Stock Options

Effective October 4, 2006, the Company filed a Form S-8 Registration Statement in connection with its October 2006 Non-Qualified Stock Option Plan (the "October 2006 Plan") allowing for the direct award of stock or granting of stock options to directors, officers, employees and consultants to acquire up to a total of 2,000,000 shares of common stock. At June 30, 2007, the Company had 44,500 shares of common stock unissued pursuant to the plan.

Effective March 22, 2007, the Company filed a Form S-8 Registration Statement in connection with its March 2007 Non-Qualified Stock Option Plan (the "March 2007 Plan") allowing for the direct award of stock or granting of stock options to directors, officers, employees and consultants to acquire up to a total of 2,000,000 shares of common stock. At June 30, 2007, the Company had no shares of common stock unissued pursuant to the plan.

Effective July 24, 2007, the Company filed a Form S-8 Registration Statement in connection with its July 2007 Non-Qualified Stock Option Plan (the "July 2007 Plan") allowing for the direct award of stock or granting of stock options to directors, officers, employees and consultants to acquire up to a total of 6,500,000 shares of common stock (Note 17(b)).

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The weighted average grant date fair value of stock options granted during the years ended June 30, 2007 and 2006 was \$1.14 and \$1.76, respectively. During the year ended June 30, 2007, the Company charged stock-based compensation relating to the granting of options of \$4,466,570 to operations and recorded \$87,960 of prepaid rent. During the year ended June 30, 2006, the Company charged to operations stock-based compensation relating to the granting of options of \$4,655,200.

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## 11. Stock Options (continued)

A summary of the Company's stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price \$	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, June 30, 2005	□	□		
Granted	2,718,000	0.40		
Exercised	(1,633,500)	0.02		
Cancelled	(200,000)	0.49		
Outstanding, June 30, 2006	884,500	1.08		
Granted	3,955,500	0.20		
Exercised	(3,500,000)	0.002		
Cancelled	□	□		
Outstanding, June 30, 2007	1,340,000	1.29	3.92	\$ 65,500
Exercisable, June 30, 2007	1,340,000	1.29	3.92	\$ 65,500

During the year ended June 30, 2007, the Company granted 3,517,000 stock options to purchase shares of common stock at a price below market of \$0.00001 per share with an intrinsic value of \$3,852,018. During the year ended June 30, 2006, the Company granted 2,718,000 stock options to purchase shares of common stock with an intrinsic value of \$5,091,051.

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year Ended June 30, 2007	Year Ended June 30, 2006
Expected dividend yield	0%	0%
Expected volatility	82%	68%
Expected life (in years)	5.0	2.2
Risk-free interest rate	4.38%	4.67%

A summary of the status of the Company's nonvested shares as of June 30, 2007, and changes during the year ended June 30, 2007, is presented below:

Nonvested Shares	Number of Shares	Weighted Average Grant Date Fair Value \$
Nonvested at July 1, 2006	□	□
Granted	3,955,500	0.20
Vested	(3,955,500)	0.20
Nonvested at June 30, 2007	□	□

## 12. Acquired In-Process Research and Development

On March 30, 2007, the Company issued 10,000,000 warrants to acquire the rights to certain technologies from its majority shareholder, Visual Healthcare Corp. The technologies acquired relate to enhancements and improvements to the Company's medical software modules. Each warrant is exercisable to acquire a

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share of common stock at an exercise price of \$0.01 per share for a period of five years. The fair value for the warrants issued was estimated using the Black-Scholes option-pricing model assuming an expected life of 5 years, a risk-free rate of 4.36% and an expected volatility of 78%. During the period ended June 30, 2007, the Company recognized the fair value of the warrants of \$7,920,730 as a charge to operations as acquired in-process research and development costs. Refer to Note 10.

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13. Segment Disclosures

The Company operates as one operating segment which is the sale of its suite of clinical software modules. The Chief Executive Officer is the Company's Chief Operating Decision Maker (CODM) as defined by SFAS 131, "Disclosure about Segments of an Enterprise and Related Information." The CODM allocates resources and assesses the performance of the Company based on the results of operations.

14. Commitments

- a) In November 2004, the Company entered into a lease agreement for office premises at a rate of \$83,000 (CDN\$88,265) per annum including property taxes, insurance and other operating expenses, for a five year term expiring on September 30, 2009, with an option to renew for an additional five years. During the year ended June 30, 2007, the Company incurred rent expense of \$52,394. Future payments for the next five fiscal years are as follows:

	\$
2008	83,000
2009	83,000
2010	27,700
2011	-
2012	-
	193,700

- b) On June 5, 2006, the Company entered into an automobile lease for a term of 48 months. The monthly payments are \$604 (CAD\$642) ending May 5, 2010.
- c) On November 13, 2006, the Company entered into an investor relations agreement and issued 200,000 shares of common stock having a fair value of \$360,000, which is included in general and administrative expenses. The Company has also agreed to issue the following: 100,000 shares of common stock when the Company's stock trades at \$2.50 per share, 100,000 shares of common stock when the Company's stock trades at \$3.25 per share, and 100,000 shares of common stock when the Company's stock trades at \$3.75 per share. The contingently issuable shares were valued at \$540,000 and have been recorded as additional paid-in capital and charged to operations as general and administrative expense in accordance with EITF 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction With Selling, Goods or Services" and EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock".

15. Income Taxes

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes." Deferred income tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Income tax expense differs from the amount that would result from applying the U.S federal and state income tax rates to earnings before income taxes. The Company has a net operating loss carryforward of \$4,261,115 available to offset taxable income in future years



which expires beginning in fiscal 2012. Pursuant to SFAS 109, the potential benefit of the net operating loss carryforward has not been recognized in the financial statements since the Company cannot be assured that it is more likely than not that such benefit will be realized in future years.

## 15. Income Taxes (continued)

The Company is subject to United States federal and state income taxes at an approximate rate of 35% and Canadian federal income tax of 37.62%. The reconciliation of the provision for income taxes at the United States federal statutory rate compared to the Company's income tax expense as reported is as follows:

	June 30, 2007		June 30, 2006	
	\$		\$	
	United States	Canada	United States	Canada
Expected income tax recovery	(4,835,216)	(330,189)	(2,109,028)	(396,256)
Permanent differences	4,632,354	19,574	1,630,123	7,699
Temporary differences	863	10,823	□	□
Change in exchange rates	□	(16,208)	□	□
Valuation allowance change	202,000	316,000	478,905	388,557
Provision for income taxes	□	□	□	□

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of deferred income tax assets and liabilities at June 30, 2007 and 2006 are as follows:

	June 30, 2007		June 30, 2006	
	\$		\$	
	United States	Canada	United States	Canada
Net operating loss carryforward	1,100,000	937,000	898,000	621,000
Valuation allowance	(1,100,000)	(937,000)	(898,000)	(621,000)
Net deferred income tax asset	□	□	□	□

The Company has recognized a valuation allowance for the deferred income tax asset since the Company cannot be assured that it is more likely than not that such benefit will be utilized in future years. The valuation allowance is reviewed annually. When circumstances change and which cause a change in management's judgment about the realizability of deferred income tax assets, the impact of the change on the valuation allowance is generally reflected in current income.

## 16. Geographic Information and Major Customers

Revenues from external customers:

	June 30, 2007	June 30, 2006
	\$	\$
United States	37,292	308,946
Canada	318,520	□
Total revenues from external customers	355,812	308,946

All long-lived assets are domiciled in Canada. During the year ended June 30, 2007, the Company recognized \$355,812 (2006 - \$275,936) of revenue from the licensing of software and technology, and \$nil (2006 - \$33,010) from the sale of hardware. For the year ended June 30, 2007, revenue from one customer represented 90% (2006 - 52%) of total revenue and from a second customer represented 6% (2006 - 46%) of total revenue.



17. Subsequent Events

Subsequent to June 30, 2007 the Company:

- a) issued 2,490,000 shares of common stock upon the exercise of stock options at an exercise price of \$0.00001 per share.
- b) granted 2,490,000 stock options to acquire common stock exercisable at \$0.00001 per share for 5 years and granted 610,000 stock options to acquire common stock exercisable at \$0.27 per share for 5 years. These grants were made pursuant to the July 2007 Plan.
- c) received unsecured loans totalling \$105,795 (\$112,500 CAD) consisting of \$58,775 (\$62,500 CAD) from officers of the Company and \$47,020 (\$50,000 CAD) from a third party which bear interest at 15% and 10% per annum, respectively.

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**CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND  
ITEM 8. FINANCIAL DISCLOSURE.**

None.

**ITEM 8A. CONTROLS AND PROCEDURES.**

As of the end of the period covered by this report, under the supervision and with the participation of our management, including Gerard Dab, our Chief Executive Officer, and Larry Kurlender, our Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities and Exchange Act of 1934 (Exchange Act)). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that these disclosure controls and procedures are effective to ensure that information required to be disclosed in our annual reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities Exchange Commission rules and forms. There were no changes in our internal control over financial reporting during the fiscal year ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our officers believe that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that VisualMED files or submits under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer in order to allow timely decisions regarding required disclosure. There are frequent daily communications among all of our executives, including Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, President and our Vice President for Finance. All of our budgetary decisions and all of our billing and other expenditures require the written, signed approval of at least three of our executives. All issues regarding disclosures and procedures are discussed in a timely fashion, including all financial and other key operational information. Current disclosure controls and procedures are governed by the Board of Directors, and any changes to such controls and procedures must be made with the Board's approval.

**ITEM 8B. OTHER INFORMATION.**

None.

**ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL  
PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.**

The following table sets forth the names, ages and titles of our executive officers and members of our board of directors as of June 30, 2006:

<b>Name</b>	<b>Age</b>	<b>Position Held</b>
Gerard Dab	59	Chief Executive Officer, Secretary and Director
Arthur Gelston MD	58	President, Chief Science Officer and Director
Barry Scharf	62	Chief Operating Officer and Vice President of Client Services
Larry Kurlender	61	Chief Financial Officer, Treasurer and Principal Accounting Officer
Jayne H. Kirby	49	Vice President of Finance
Michel Maksud	49	Vice President of Technology
Philippe Panzini	42	Director
Louis J. Lombardo	63	Director
Chris Marcolefafas	40	Director

**Gerard Dab** has been our Chairman and Chief Executive Officer and a director of our company since October 2004. Mr. Dab holds an Honors BA and an MA from McGill University. After an academic career and serving as an executive with advertising company Foote, Cone & Belding of Chicago, he served as president of Productions Publi-Cité Inc. of Montreal, a film and television finance company, from November 1982 to June 1992. From June 1992 to April 1998, Mr. Dab was executive producer of "Finance," a weekly television program on Canada's TVA network of VHCC. From July 1998 to September 2004, Mr. Dab was President and Secretary, and since November 1999, he has been Chairman of the Board, Chief Executive Officer and a director of VHCC.

**Arthur Gelston, M.D.** has been our President, Chief Science Officer and a director of our company since October 2004. Dr. Gelston holds an M.D. degree from Cornell University, Ithaca, New York and is a Fellow of Johns Hopkins University, Baltimore and a Fellow of the Royal College of Physicians (Canada). Dr. Gelston is also an adjunct Professor of Medicine in the Department of Internal Medicine and was formerly Senior Physician of internal medicine, at the McGill University Health Center in Montreal, Canada. From July 1988 to January 1999, Dr. Gelston served as the Director of Medical Clinics of the Department of Medicine and was until that date a senior physician at Montreal's Royal Victoria Hospital. From July 1998 to December 2003, Dr. Gelston served as VHCC's chief architect and, since 2000, Dr. Gelston has been President, Chief Science Officer and a director of VHCC.

**Barry Scharf** has been our Chief Operating Officer and Vice President of Client Services since October 2004. From January 2002 to October 2004, Mr. Scharf was VHCC's Vice President of Clinical Services. From January 2001 to December 2001, Mr. Scharf was Vice President of Client Services at Medicool Health Systems Inc. located in Montreal, Quebec. Since January 1993, Mr. Scharf has been President of the Board of Directors of Terre des Hommes Canada, a registered Canadian charity.

**Larry Kurlender** has been our Chief Financial Officer, Treasurer and Principal Accounting Officer since April 2006. He is a Chartered Accountant (CA), and also holds Bachelor of Commerce and MBA degrees from McGill University. Mr. Kurlender has been a practicing CA in his own firm since 1996. Between 1970 and 1996, he has held executive level positions in finance and in management in 3 different companies.

**Jayne H. Kirby** has been our Vice President of Finance and Controller since October 2004. From January 1999 to September 2004, Ms. Kirby was the Controller of VHCC. Prior to 1999, Ms. Kirby was a cash flow analyst at the head office of Royal Trust in Toronto, and then an international portfolio auditor for State Street Quebec, in Montreal.

**Michel Maksud** has served as our Vice President of Technology since October 2004. Since July 2000, Mr. Maksud has been Chief Software Architect of Medicool Health Systems Inc. conducting research and development in the field of healthcare information technology. From December 1990 to July 2000, Mr. Maksud was the Vice President of Research and Development and Chief Software Architect of Purkinje, a healthcare information technology company located in Montreal, Quebec.

**Philippe Panzini** has been a director of our company since October 2004. From March 1989 through September 1991, Mr. Panzini was a marketing executive with Softimage Inc. of Montreal, Canada, a company in 3-D computer graphic technology. From September 1991 to February 1999 he worked at Discreet Logic, a computer imaging technology company based in Montreal, Canada, and served as its Chief Technology Officer. In 1998, Mr. Panzini received an Academy Award from the Academy of Motion Picture Arts and Sciences for his contribution to the film industry in the field of digital imaging. From February 1999 to January 2000, Mr. Panzini worked as a software architect for Behaviour Inc. an entertainment company based in Montreal, Canada. From February 2000 to December 2002, Mr. Panzini was a marketing executive with VHCC. Since December 2002, Mr. Panzini has been an imaging software manager with Apple Computers of Cupertino, California. Mr. Panzini was a director of VHCC from 1999 to 2003.

**Louis J. Lombardo** has been a director of our company since October 2004. Mr. Lombardo served as Executive Vice President, Client Service Delivery, for American Express Travel Related Services Company of New York, New York, a financial and travel service company, from 1985 to 1998. Since 1998, he has served as President of Lombardo Consulting, L.P., a privately held management and

operational consulting firm. Mr. Lombardo holds a B.S. from City College, New York, New York, and a M.B.A. from New York University. Mr. Lombardo was a director of VHCC from 2000 to 2003.

**Chris Marcolefafas** has been Vice President of Operations at TouchTunes Music Corporation (TouchTunes), a private company involved with various interactive, music-on-demand applications since June 2004. Mr. Marcolefafas has been with TouchTunes since January 1998, holding various positions, such as, Director Finance, Chief Financial Officer, Vice President Business Development and Consultant. Prior to joining TouchTunes, he held management positions at the NBS Bank and was a senior auditor at Ernst & Young. He received his Bachelor of Commerce degree in 1989 and Diploma in Accountancy in 1990 from Concordia University in Montreal. Mr. Marcolefafas is a member of the Canadian Institute of Chartered Accountants.

All directors of the company serve one year terms and hold office until the next annual meeting of stockholders and until their respective successors are duly elected and qualified.

### **Committees and Meetings**

During fiscal 2007, our Board of Directors held four meetings. We presently do not have a nominating committee. However, our Board of Directors is considering establishing this committee during the current fiscal year. Currently, our Board of Directors makes the decisions regarding director nominations. We have an audit committee and disclosure committee.

### **Audit Committee; Audit Committee Financial Expert**

Our audit committee consists of Chris Marcolefafas and Louis J. Lombardo. Mr. Marcolefafas is our audit committee financial expert as defined under rule 401(e) of Regulation S-B. We have adopted an Audit Committee Charter, which is an exhibit to this annual report on Form 10-KSB.

### **Disclosure Committee**

Our disclosure committee consists of Gerard Dab and Barry Scharf. The disclosure committee was established to ensure that all material information about our company and our business is properly disclosed in a timely manner. We have adopted a Disclosure Committee Charter, which is an exhibit to this annual report on Form 10-KSB. The committee has hired Michel Dab as an independent consultant.

### **Code of Ethics**

We have adopted a Code of Ethics for our executive officers, which is filed as an exhibit to this Annual Report. Any person may obtain a copy of our Code of Ethics, without charge, by writing to our corporate offices at 1035 Laurier St. West, Suite 200, Montreal, Quebec Canada H2V 2L1; Attn: Secretary.

### **Compliance with Section 16(a) of the Exchange Act**

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who own more than 10% of a registered class of our equity securities (collectively, Reporting Persons) to file reports of ownership and changes in ownership of our securities with the SEC. Reporting Persons are required by the SEC to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms received or written representations from the Reporting Persons, we believe that, with respect to the fiscal year ended June 30, 2007, all the Reporting Persons complied with all applicable filing requirements.

**ITEM 10. EXECUTIVE COMPENSATION**

The following table sets forth information with respect to compensation paid by us to our officers and directors during the two most recent fiscal years.

**Summary Compensation Table**

(a) Name and Principal Position	Annual Compensation			(e) Other Annual Compensation (\$)	Awards		Payouts		(i) All Other Compensation (\$)
	(b) Year	(c) Salary (\$)	(d) Bonus (\$)		(f) Restricted Stock Award(s) (\$)	(g) Securities Underlying Options / SARs (#)	(h) LTIP Payouts (\$)		
Gerard Dab CEO, Secretary & Director	2007	176,325	□	□	□	□	□	□	□
	2006	168,170	□	□	□	□	□	□	□
Arthur Gelston President, Chief Science Officer and Director	2007	□	□	□	□	□	□	□	□
	2006	□	□	□	□	□	□	□	□
Barry Scharf COO and Vice- President Client Services	2007	176,325	□	□	□	100,000	□	□	□
	2006	168,170	4,485	□	□	230,000	□	□	□
Larry Kurlender CFO, Treasurer, Principal Accounting Officer	2007	1	□	□	□	7,000	□	□	□
	2006	1	□	□	□	□	□	□	□
Jayne H. Kirby Vice-President Finance	2007	101,093	□	□	□	100,000	□	□	□
	2006	96,410	□	□	□	200,000	□	□	□
Michel Maksud Vice-President Technology	2007	□	□	□	□	110,000	□	□	□
	2006	□	□	□	□	200,000	□	□	□
Philippe Panzini Director	2007	□	□	□	□	□	□	□	□
	2006	19,000	□	□	□	□	□	□	□
Louis J. Lombardo Director	2007	□	□	□	□	□	□	□	□
	2006	□	□	□	□	□	□	□	□
Chris Marcolefafas Director	2007	□	□	□	□	□	□	□	□
	2006	□	□	□	□	□	□	□	□





## Employment Agreements

### *Arthur Gelston*

We have an employment agreement with Arthur Gelston dated as of October 1, 2006, pursuant to which Dr. Gelston serves as our President and Chief Science Officer. The agreement terminates on September 30, 2011, unless earlier terminated pursuant to the terms of the agreement. Dr. Gelston is responsible for the companies relations with the medical community both academic and hospital based. The agreement provides for a base salary of not less than CDN\$24,000 for each year of the employment term. In addition, under the agreement, Dr. Gelston is entitled to (1) receive an annual cash bonus, as determined by our board of directors, based on our company attaining certain performance goals, (2) receive a bonus of CDN\$50,000 upon our company reaching an aggregate of \$10 million in sales and (3) reimbursement for business related expenses. The agreement provides that Dr. Gelston's employment may be terminated at the election of the board of directors upon his disability or for serious reason (as defined in the agreement).

### *Gerard Dab*

We have an employment agreement with Gerard Dab dated as of October 25, 2004, pursuant to which Mr. Dab serves as our Chief Executive Officer. The agreement terminates on October 25, 2009, unless earlier terminated pursuant to the terms of the agreement. The agreement provides for a base salary of not less than CDN\$187,500 for each year of the employment term. In addition, under the agreement, Mr. Dab is entitled to (1) receive an annual cash bonus, as determined by our board of directors, of up to 25% of his base salary per year, based on our company attaining certain performance goals, (2) receive a bonus of CDN\$50,000 upon our company reaching an aggregate of \$10 million in sales and (3) participate in any employee benefit plans, such as health insurance, life insurance and reimbursement for business related expenses, we offer to other employees of our company. The agreement provides that Mr. Dab's employment may be terminated at the election of the board of directors upon his disability or for serious reason (as defined in the agreement).

### *Larry Kurlender*

We have an employment agreement with Larry Kurlender dated as of April 1, 2006, pursuant to which Mr. Kurlender serves as our Chief Financial Officer. The agreement terminates on March 31, 2011, unless earlier terminated pursuant to the terms of the agreement. The agreement provides for a base salary of CDN\$1 for each year of the employment term. In addition, under the agreement, Mr. Kurlender is eligible for an annual bonus which may include options issued under our Nonqualified Stock Option Plan, as determined by the Board of Directors. The agreement provides that Mr. Kurlender's employment may be terminated at the election of the Board of Directors upon his disability or for serious reason (as defined in the agreement).

### *Barry Scharf*

We have an employment agreement with Barry Scharf dated as of October 25, 2004, pursuant to which Mr. Scharf serves as our Chief Operating Officer and Vice President Client Services. The agreement terminates on October 25, 2009 unless earlier terminated pursuant to the terms of the agreement. Mr. Scharf is responsible for supervising day-to-day activities relating to sales, marketing, product development, customer service procurement and all matters of commercial contracts. The agreement provides for a base salary of not less than CDN\$187,500 for each year of the employment term. In addition, under the agreement, Mr. Scharf is entitled to (1) receive an annual cash bonus, as determined by our board of directors, of up to 25% of his base salary per year, based on the Company attaining certain performance goals, (2) receive a bonus of CDN\$50,000 upon our company reaching an aggregate of \$10 million in sales, (3) receive a bonus of \$5,000 for each successful implementation of the VisualMED system and (4) participate in our employee benefit plans, such as health insurance, life insurance and reimbursement >for business related expenses, we offer to other employees of our company. The agreement provides that Mr. Scharf's employment may be terminated at the election of the board of directors upon his disability or for serious reason (as defined in the agreement).

Jayne H. Kirby

We have an employment agreement with Jayne H. Kirby dated as of October 25, 2004, pursuant to which Ms. Kirby serves as our Vice President Finance. The agreement terminates on October 25, 2009, unless earlier terminated pursuant to the terms of the agreement. Ms. Kirby is responsible for supervising all of our company's financial transactions, budgets, financial statements and audits. The agreement provides for a base salary of not less than CDN\$107,500 for each year of the employment term. In addition, under the agreement, Ms. Kirby is entitled to (1) receive an annual cash bonus, as determined by our board of directors, of up to 25% of her base salary per year, (2) receive a bonus of CDN\$50,000 upon our company reaching an aggregate of \$10 million in sales, and (3) participate in our employee benefit plans, such as health insurance, life insurance and reimbursement for business related expenses, we offer to other employees of our company. The agreement provides that Ms. Kirby's employment may be terminated at the election of the board of directors upon her disability or for serious reason (as defined in the agreement).

### Option/SAR Grants

The company has a nonqualified stock option plan under which each of Jayne H. Kirby and Barry Scharf have been granted options to purchase 100,000 shares of our common stock, and Michel Maksud has been granted options to purchase 110,000 shares of our common stock. Please refer to Item 5 of this Form 10-KSB for a description of the nonqualified stock option plan. We have no retirement, pension, or profit sharing plans for the benefit of our officers and directors.

#### Option/SAR Grants in Last Fiscal Year

##### Individual Grants

(a) Name	(b) Number of Securities Underlying Options/SARs Granted (#)	(c) % of Total Options/SARs Granted to Employees in Fiscal Year	(d) Exercise or Base Price (\$/Sh)	(e) Market Price on Date of Grant	(f) Expiration Date
Barry Scharf	100,000	27.5%	\$ 1.78	\$ 1.78	10/11/11
Jayne H. Kirby	100,000	27.5%	\$ 1.78	\$ 1.78	10/11/11
Michel Maksud	110,000	30%	\$ 1.78	\$ 1.78	10/11/11

### Long-Term Incentive Plan Awards

We do not have any long-term incentive plans that provide compensation intended to serve as incentive for performance to occur over a period longer than one fiscal year, whether such performance is measured by reference to our financial performance, our stock price, or any other measure.

### Compensation of Directors

We do intend to pay our directors for their work as board members with a yearly honorarium not to exceed \$25,000. We do intend to grant our directors options for serving on our board of directors. For fiscal 2007, we have not determined the compensation that we may grant our directors.

### Indemnification

Under our articles of incorporation and bylaws, we may indemnify an officer or director who is made a party to any proceeding, including a law suit, because of his position, if he acted in good faith and in a manner he reasonably believed to be in our best interest. We may advance expenses incurred in defending a proceeding. To the extent that the officer or director is successful on the merits in a proceeding as to which he is to be

indemnified, we must indemnify him against all expenses incurred, including attorney's fees. With respect to a derivative action, indemnity may be made only for expenses actually and reasonably

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incurred in defending the proceeding, and if the officer or director is judged liable, only by a court order. The indemnification is intended to be to the fullest extent permitted by the laws of the State of Nevada.

Regarding indemnification for liabilities arising under the Securities Act of 1933, which may be permitted to directors or officers under Nevada law, we are informed that, in the opinion of the SEC, indemnification is against public policy, as expressed in the Act and is, therefore, unenforceable.

Officers and directors are covered under the company's officers and directors insurance policies.

**ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The following table sets forth information concerning the beneficial ownership of our common stock as of September 27, 2007, by:

- each person known by us to beneficially own more than 5% of any class of common stock;
- each director and each executive officer named in the Summary Compensation Table; and
- all named executive officers and directors as a group.

Unless indicated below, each stockholder listed had sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws, if applicable.

Name and Address(1)(2)	Number of Shares	Percent of Shares(%) (3)
Gerard Dab(4)	□	□
Arthur Gelston(4)	□	□
Barry Scharf(5,7)	460,000	*
Michel Maksud(7)	410,000	*
Jayne H. Kirby(5,7)	400,000	*
Larry Kurlender	7,000	*
Louis J. Lombardo	□	□
Philippe Panzini	□	□
All named executive officers and directors as a group	□	□
Visual Healthcare Corp. (f.k.a. VisualMED Clinical Systems Corp.)(6)	16,599,872	32%

\* less than 1%.

- (1) The address of all directors and executive officers in this table, unless otherwise specified, is c/o VisualMED Clinical Solutions Corp., 1035 Laurier St. West, Suite 200, Montreal, Quebec Canada H2V 2L1.
- (2) As used in this table, "beneficial ownership" means the sole or shared power to vote or direct the voting of a security, or the sole or shared power to dispose, or direct the disposition, of a security. A person is deemed as of any date to have beneficial ownership of any security that the person has the right to acquire within 60 days after that date. For purposes of computing the percentage of outstanding shares held by each person named above, any security that the person has the right to acquire within 60 days of the date of calculation is deemed to be outstanding, but is not deemed to be outstanding for purposes of computing the percentage ownership of any other person.
- (3) The percent of class is based on 52,218,345 shares of common stock issued and outstanding as of September 27, 2007.



- (4) Mr. Dab and Dr. Gelston may be deemed to beneficially own the 16,599,872 shares owned by VHCC as a result of their position as director of, and their respective equity interest in, that company (See Note 5 below). Each of these individuals disclaim beneficial ownership of these shares.
- (5) Barry Scharf, Jayne H. Kirby and Michel Maksud have the right to purchase 130,000, 100,000 and 100,000 shares, respectively, of our common stock held by VHCC, pursuant to a call right agreement between each of these individuals and VHCC at a price of \$0.49. These rights are immediately exercisable and terminate on October 27, 2009.
- (6) The address of VHCC is 790 Rockland, Outremont, Quebec Canada H2V 2Z6. Gerard Dab owns 6,845,877 common shares of VHCC or 11.95% of its total outstanding shares. Art Gelston, MD owns 6,055,877 shares of VHCC or 10.57% of its total outstanding shares. Philippe Panzini owns 430, 215 common shares of VHCC or 0.75% of its total outstanding shares. Lombardo Consulting LP, which is controlled by Louis J. Lombardo, owns 1,948,579 common shares of VHCC or approximately 3.4% of its total outstanding shares. Jayne H. Kirby owns 2,018,054 common shares of VHCC or 3.52% of its total outstanding shares. Barry Scharf owns 2,035,357 common shares of VHCC or 3.55% of its total outstanding shares.
- (7) Barry Scharf, Jayne H. Kirby and Michel Maksud have options to purchase 130,000, 100,000, and 100,000 shares, respectively, of our common stock at a price of \$0.49 per share. These rights are immediately exercisable and terminate on March 1, 2011. Each of Barry Scharf, Jayne H. Kirby and Michel Maksud also have the right to purchase 100,000 shares of our common stock at a price of \$1.90 per share. These rights are immediately exercisable and terminate on March 11, 2011. Each of Barry Scharf and Jayne Kirby have further options to purchase 100,000 shares of our common stock at a price of \$1.78 per share, and Michel Maksud further has options to purchase 110,000 shares of our common stock at a price of \$1.78; These rights are immediately exercisable and terminate on October 11, 2011.

**ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.**

One of our directors, Louis J. Lombardo, is a member of Rutherford Marketing LLC. Under a marketing agreement between the Company and Rutherford, Rutherford earns commissions on the sale of the VisualMED products. Rutherford did not earn any commissions from the Company during fiscal 2007.

VHCC owns approximately 32% of our issued and outstanding common stock. As a result, VHCC is able to significantly influence matters requiring approval of our stockholders, including the election of directors and the determination of significant corporate actions.

**ITEM 13. EXHIBITS.**

<b>Exhibit</b>	<b>Description</b>
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form SB-2 (Registration No. 333-94835) filed with the SEC on January 18, 2001).
3.2	Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-QSB filed with the SEC on February 22, 2005).
3.3	By-Laws (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form SB-2 (Registration No. 333-94835) filed with the SEC on January 18, 2001).
4.1	VisualMED Clinical Solutions Corp. October 2006 Nonqualified Stock Option Plan (incorporated by reference to the Company's Registration Statement on Form S-8 filed with the SEC on October 4, 2006).
4.2	VisualMED Clinical Solutions Corp. March 2007 Nonqualified Stock Option Plan (incorporated by reference to the Company's Registration Statement on Form S-8 filed with the SEC on March 22, 2007).





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- 5.1 Consent of Manning Elliott LLP, Independent Registered Public Accounting Firm
- 10.4 Registration Rights Agreement dated as of March 24, 2005, by and among the Company and HPS Inc., Claude Pellerin, Stephane Solis and VHCC (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form SB-2 (Registration No. 333-125348) filed with the SEC on August 8, 2005).
- 10.5 Warrant dated March 23, 2005 by the Company in favor of Capex Investments Ltd. (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form SB-2 (Registration No. 333-125348) filed with the SEC on August 8, 2005).
- 10.6 Warrant dated March 24, 2005 by the Company in favor of Asset Protection Fund Ltd. (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form SB-2 (Registration No. 333-125348) filed with the SEC on August 8, 2005).
- 10.7 Warrant dated March 24, 2005 by the Company in favor of Aton Select Fund Ltd. (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form SB-2 (Registration No. 333-125348) filed with the SEC on August 8, 2005).
- 10.8 Acquisition Agreement dated September 23, 2004, between the Company and VHCC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 19, 2004).
- 10.9 Employment Agreement, dated as of October 25, 2004, by and between Gerard Dab and the Company (incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2005, filed with the SEC on September 29, 2005).\*
- 10.10 Employment Agreement, dated as of October 25, 2004, by and between Barry Scharf and the Company (incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2005, filed with the SEC on September 29, 2005).\*
- 10.11 Employment Agreement, dated as of October 25, 2004, by and between Jayne Kirby and the Company (incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2005, filed with the SEC on September 29, 2005).\*
- 10.12 Employment Agreement, dated as of April 1, 2006, by and between Larry Kurlender and the Company. (incorporated by reference to the Company's Annual Report on Form 10KSB for the fiscal year ended June 30, 2005, filed with the SEC on September 28, 2006).\*
- 14.1 Code of Ethics (incorporated by reference to Exhibit 14.1 to the Company's Annual Report of Form 10-KSB filed with the SEC on September 5, 2003).
- 31.1 Certification of Principal Financial Officer pursuant to Rule 13a-15(e) and Rule 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.
- 31.2 Certification of Principal Executive Officer pursuant to Rule 13a-15(e) and Rule 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
- 99.1 Audit Committee Charter (incorporated by reference to Exhibit 99.1 to the Company's Annual Report of Form 10-KSB filed with the SEC on September 5, 2003).
- 99.2

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Disclosure Committee Charter (incorporated by reference to Exhibit 99.2 to the Company's Annual Report of Form 10-KSB filed with the SEC on September 5, 2003).

- \* Indicates a management contract or compensatory plan or arrangement, as required by Item 13 of Form 10-KSB.

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**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

The following table sets forth the aggregate fees billed to us for professional audit services rendered by Manning Elliot for the audit of our annual consolidated Consolidated Financial Statements for the fiscal years ended June 30, 2006 and June 30, 2007, the review of the consolidated financial statements included in our quarterly reports on Form 10-Q for such periods and fees billed for other services rendered by Manning Elliot for such periods. Fees include amounts related to the year indicated, which may differ from amounts billed.

	<b>Fiscal Year Ended June 30, 2006</b>	<b>Fiscal Year Ended June 30, 2007</b>
Annual audit fees(1)	\$ 47,525	\$ 56,779
Audit related fees(2)	\$ 10,500	
Tax fees(3)		
All other fees(4)		
<b>Total</b>	<b>\$ 58,025</b>	<b>\$ 56,779</b>

- (1) Annual audit fees for the audit of the consolidated financial statements included in our annual report on Form 10-KSB and the review of the interim condensed consolidated financial statements included in our quarterly reports on Form 10-QSB or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.
- (2) Audit related fees are the fees for assurance related services by the principal accountants that are reasonably related to the performance of the audit or review of our Consolidated Financial Statements and that are not reported in the annual audit fees.
- (3) Tax fees are the fees for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning.
- (4) All other fees are the fees for products and services other than those in the above three categories. This category includes fees for documentation assistance services related to internal controls over financial reporting.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 28<sup>th</sup> day of September 2007.

**VISUALMED CLINICAL SOLUTIONS CORP.**

**(Registrant)**

By: /s/ Gerard Dab  
 Gerard Dab  
 Principal Executive Officer, Secretary and  
 a member of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the Registrant and in the capacities.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ Gerard Dab Gerard Dab	Principal Executive Officer, Secretary and a member of the Board of Directors	September 28, 2007
/s/ Arthur Gelston MD Arthur Gelston MD	President, Chief Science Officer and a member of the Board of Directors	September 28, 2007
/s/ Larry Kurlender Larry Kurlender	Principal Financial Officer, Principal Accounting Officer and Treasurer	September 28, 2007
/s/ Jayne H. Kirby Jayne H. Kirby	Vice President of Finance	September 28, 2007
/s/ Philippe Panzini Philippe Panzini	A member of the Board of Directors	September 28, 2007