

VisualMED Clinical Solutions Corp.
Form 10-K
September 28, 2006

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

FORM 10-KSB

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

For the fiscal year ended - June 30, 2006

OR

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

46,028,345 Common Shares

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

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

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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.

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

Yes No

State issuer's revenues for its most recent fiscal year: \$308,946

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, 2006 was \$30,984,427.

As of September 27, 2006, the issuer had 46,038,345 outstanding shares of common stock.

Transitional Small Business Disclosure Format (Check one):

Yes No

DOCUMENTS INCORPORATED BY REFERENCE: None

TABLE OF CONTENTS

	<u>PART I</u>	2
<u>ITEM 1.</u>	<u>DESCRIPTION OF BUSINESS</u>	2
<u>ITEM 2.</u>	<u>DESCRIPTION OF PROPERTY</u>	11
<u>ITEM 3.</u>	<u>LEGAL PROCEEDINGS</u>	11
<u>ITEM 4.</u>	<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	11
	<u>PART II</u>	11
<u>ITEM 5.</u>	<u>MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS</u>	11
<u>ITEM 6.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	13
<u>ITEM 7.</u>	<u>FINANCIAL STATEMENTS</u>	16
<u>ITEM 8.</u>	<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	F-20
<u>ITEM 8A.</u>	<u>CONTROLS AND PROCEDURES</u>	F-20
<u>ITEM 8B.</u>	<u>OTHER INFORMATION</u>	F-20
<u>ITEM 9.</u>	<u>DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS: COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT</u>	F-20
<u>ITEM 10.</u>	<u>EXECUTIVE COMPENSATION</u>	F-22
<u>ITEM 11.</u>	<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	F-24
<u>ITEM 12.</u>	<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	F-26
<u>ITEM 13.</u>	<u>EXHIBITS</u>	F-26
<u>ITEM 14.</u>	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	F-27

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 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 Corp., a Nevada corporation and its subsidiaries.

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, 2006, VHCC owns approximately 52% 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.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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 2006, we began the installation of our ScopeNotes product line at Montreal's Jewish General Hospital Colorectal Surgery Department. ScopeNotes allows doctors to record surgical notes in electronic format for ready access. We have equally begun to market a dedicated Oncology Module for oncology departments, and a Drug Order and Tracking Module for pharmacies and doctors. Finally, we have begun to look into the possibility of incorporating our unique security features, which pass every federal guideline for securing sensitive patient information, into other existing products in the market that operate within similar architectural and database parameters as the VisualMED system.

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, Rutherford Marketing LLC, Imtech of Rotterdam NL, ITS of the Kingdom of Saudi Arabia, Sonotec S.A.R.L. of Tunis, Post Logic Inc. of Paris, Réseau Numérique Inc. of Montreal, First Consulting Group and Superior Consulting. We are also working closely 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 2005, we spent approximately \$561,356 on research and development. In fiscal 2006, we spent approximately \$1,093,096 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 western countries, including 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 non-profit 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 includes \$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:

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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.

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, 2006, we had eleven full-time employees, and retained one full-time and twenty-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, 2006, 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.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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, 2006 we had working capital deficit of \$74,429. 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 \$308,946 in revenue from operations to date, and we have incurred a cumulative loss of \$13,895,588 through June 30, 2006. 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.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

Our parent company has significant influence over our corporate decisions.

As of September 27, 2006, our parent company, VHCC, owns approximately 52% 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.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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 in the fourth quarter of fiscal 2006.

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.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

On June 30, 2006, the closing price of our common stock, as reported by the OTC Bulletin Board, was \$2.50. As of June 30, 2006, there were a total of 46,028,345 shares of common stock issued and outstanding. Of these shares, 12,393,771 shares are freely tradable and 33,634,574 shares are restricted securities as defined in Rule 144 of the Securities Act of 1933, as amended. As of June 30, 2006, we had 60 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.

Fiscal Quarter	High Bid	Low Bid
2006		
Fourth Quarter	\$4.08	\$1.82
Third Quarter	\$2.37	\$1.81
Second Quarter	\$2.68	\$1.66
First Quarter	\$3.10	\$2.55
2005		
Fourth Quarter	\$3.09	\$2.10
Third Quarter	\$3.10	\$1.53
Second Quarter	\$1.64	\$0.62
First Quarter	\$0.62	\$0.62

Securities authorized for issuance under equity compensation plans

Our Board of Directors adopted the 2006 Nonqualified Stock Option Plan (Plan) in March, 2006. 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 ten years following the adoption of the Plan. All unexercised options will terminate ten years following the date such options were granted. As of June 30, 2006, options to purchase 884,500 shares of our common stock were outstanding.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
	(a)	(b)	(c)
Equity compensation plans approved by security holders			
Equity compensation plans not approved by security holders	884,500	\$1.08	0
Total	884,500	\$1.08	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

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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

Pursuant to an acquisition agreement (Acquisition Agreement) relating to the Acquisition which closed on October 13, 2004, we issued 31,866,000 (on a post-stock dividend basis) restricted shares of common stock to VHCC.

In connection with the Acquisition Agreement, 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;

12

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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.

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.

We currently have 262,122 warrants outstanding, with an aggregate exercise price of \$327,653.

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

It is important to note that our business changed dramatically on October 13, 2004, when we ceased our mining and exploration activities and entered the field of developing and marketing healthcare information technology. We refer to the twelve month period ended June 30, 2006, as fiscal 2006, and the twelve month period ended June 30, 2005, as fiscal 2005.

We had \$10,976 of cash at June 30, 2006 and \$308,946 in revenue for fiscal 2006. 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 \$7,079,106 for fiscal 2006 as compared to losses of \$6,301,451 in fiscal 2005. The principal component of these losses was costs associated with sales and marketing, research and development, and general administration. We also incurred professional expenses, depreciation and filing fees.

Operating expenses for fiscal 2006 were \$7,352,359 consisting of sales and marketing expenses of \$3,559,861, general and administrative expense of \$2,058,500, development costs of \$1,093,096, customer service expense of \$618,144 and depreciation expense of \$22,758.

There are current trends developing within the United States government which could have a significant and positive effect on our ability to secure clients in the coming years. The United States Office of the National Coordinator for Health Information Technology (ONC) provides leadership for the development and implementation of a nationwide health IT infrastructure allowing secure and seamless exchange of data and records. Headed by Dr. David J. Brailer, the ONC advises the Secretary of the Department of Health and Human Services on health IT policies and initiatives, and coordinates the Department's efforts to meet the President's goal of making an electronic medical record available for most Americans by 2014. The VisualMED technology is compliant with almost all of the requirements set forth by HHS for a national medical record program, and could see a significant, federally approved and partially funded market open to it in the United States, where hospitals receive a federal mandate to implement IT solutions of the type VisualMED currently offers.

The American Health Information Community (AHIC) is a federal advisory body, chartered to make recommendations to the Secretary of HHS on how to accelerate the development and adoption of Health IT. The AHIC pursues breakthroughs that will produce tangible value to the health care consumer in the near-term, while building toward long-term goals for a broad and robust system. Its current set of recommendations contain, among others, the availability of a consumer-directed and secure electronic record of health care registration information and a medication history for patients; and the creation of an electronic health record that includes laboratory results and interpretations, that is standardized, widely available and secure.

VisualMED is well positioned to benefit from a policy move in this direction, as the above guidelines, and promotion of these directives, describe with a consistent measure of accuracy the current functionalities of the array of VisualMED products, including our Electronic Medical Record including CPOE with decision-support. The success of our current implementations, of which most are in the United States, and the statistical validation they offer, could make our products an ideal and proven candidate for implementation on a wide scale throughout the United States, in keeping with the stated goals of HHS and of the current presidential administration to give most Americans access to this type of technology in the next decade.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

Marketing Strategy and Recent Developments

Fiscal 2006 was a milestone year for us, as it marked the first year that we recorded revenue. The revenue was a result of hospital clients that signed off on our product after a successful implementation. As we move forward with some of the clients with whom we have signed agreements, we expect that more successful implementations and delivery of specialized modules will translate into revenues in the coming year. We also anticipate that we will be delivering specialized modules in ASP mode which could result in monthly rental payments and constitute recognizable recurring revenues.

In March 2006, we created a nonqualified stock option plan through which we issued 2,518,000 options geared to attract, engage and retain individuals of exceptional talent upon whom, in large measure, the sustained progress growth and profitability of the Company for the shareholders depends. As a result, we feel we are well positioned to step up our marketing efforts, especially that which relates to our new modules, tailored to the individual needs of specific hospital departments, during Fiscal 2007.

The main challenges that we will have to meet over the next 12 months will continue to be the funding of our operations, the sales and marketing of our modules, and the conclusion of agreements with local and internationally-based technology, distribution and integration companies that will allow us to compete favorably for contracts in promising foreign locations. Our major priorities remain the expansion of our client base through diversification of our product lines and the achievement of a critical mass of client institutions to generate sustainable revenues and to validate the quality of our products.

During Fiscal 2006, we successfully implemented our full, latest-generation Clinical Information System at Southwest Regional Rehabilitation Center of Battle Creek, Michigan, and at Kansas Surgery and Recovery Center of Wichita, Kansas. Department-specific modules are currently being installed at Montreal's Jewish General Hospital's Colorectal Surgery Department, including our trademark ScopeNotes product line.

Our marketing department has developed new marketing tools to maintain and support a sales funnel which currently includes more than 100 potential client hospitals in North America alone. We have hired new professionals and consultants to support our growing operations, including the maintenance and upgrading of our current implementations and software to remain at the cutting edge. We also continue to hire sales and marketing executives and consultants as our customer base continues to grow.

During Fiscal 2006, we signed an exclusive agreement with the developers of Canada's first private hospital in 40 years, the Metropolitan Medical Cooperative, in which we will install our full array of Clinical Information Systems, including Electronic Medical Record with decision support. We also entered into an agreement with Reseau Numerique Inc., a Canadian group of laboratory companies and medical education companies that will deploy a complete interactive platform to link physicians and laboratories.

Our board of advisors has been instrumental in developing and maintaining relationship with potential clients both in North America and abroad, and has brought together a broad cross-section of experts from the medical and international business community. Dr. Alan Brox was hired as Senior Physician hemo/oncol, to assist in the marketing and demonstrations of our products to leading physicians and administrators at candidate hospitals in North America and France.

We have engaged the services of Mr. Larry Kurlender, who replaces Philippe Rainville, as our Chief Financial Officer. Mr. Kurlender has extensive experience in managing companies that have emerged from their development phase and we expect Mr. Kurlender to help guide the company successfully through its current period of growth. We also had Mr. Chris Marcolef as to join our Board of Directors. He will serve as Chair of our Audit and Compensation Committees.

We have been targeting markets where current legal regulations encourage the adoption of our clinical management modules. We will aggressively pursue these markets through the creation of sales consortiums that bring together local healthcare consultants, hardware vendors and local systems integrators. We are organizing one such entity in France that will pursue opportunities offered by new French legislation that has mandated the implementation throughout the French healthcare system of a universal Electronic Medical Record. We have been hired by Post Logic Inc., a French software company, which should help them secure significant budgets set aside by the French Minister of Health, and could see VisualMED technology installed in France by 2008.

In Italy, we continue to pursue an exclusive agreement with health authorities in select provinces, and are continuing to build alliances in other European markets.

We have made continuing efforts in the Canadian market, where the federal government is near legalizing e-Prescriptions in an effort to contain the rising cost of prescription drugs. In Quebec, we have signed an agreement for the deployment of our system throughout a network of clinics through Reseau Numerique Inc.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

In North Africa, a pilot project is underway at a major tertiary care facility in Tunis, which could lead to a long-term contract with the Tunisian Health Ministry. In addition, we have expanded our representation in the Persian Gulf area, a region that spends billions on state-of-the-art healthcare facilities.

We are in advanced talks with healthcare authorities in the Kingdom of Saudi Arabia regarding the potential implementation of a series of key hospitals in that country, part of the Saudi effort to maintain its leadership in leading-edge medical care.

In order to continue financing our operations, we will rely primarily on revenue from payments and advances from agreements we have signed in the past year, as well as receiving funds from the exercise of warrants that were issued in March 2005.

Financial Condition, Liquidity and Capital Resources

At June 30, 2006, all of our principal capital resources have been acquired through the issuance of our common stock, advances from our investors, and revenue from sales. Cash used in operations was \$2,075,639 for fiscal 2006.

At June 30, 2006, we had a negative working capital of \$74,429, as compared to a deficiency of \$49,345 at June 30, 2005. We had cash on hand of \$10,976 at June 30, 2006. We had a net loss of \$7,079,106 for fiscal 2006 and \$6,301,451 for fiscal 2005. At June 30, 2006, our total assets were \$392,878, as compared to \$908,354 at June 30, 2005. At June 30, 2006, our total liabilities decreased to \$400,785 from \$930,824 at June 30, 2005.

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 financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of 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 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 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*, 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 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 \$35,000 during the year ended June 30, 2006 for annual license renewal fees, which are recognized in revenue over the term of the license. At June 30, 2006, the balance of deferred revenue, which relates to the unearned portion received of annual license fees, is \$17,292. Incremental direct costs related to contract acquisition and origination, which result in deferred revenue, are expensed as incurred. Any allowance for doubtful accounts is based on the Company's detailed assessment of the collectibility of specific customer accounts. Any significant customer accounts that are not expected to be collected are excluded from revenues. To date, the Company has not experienced any losses from uncollectible accounts.

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. Financial Statements

PART I.

Financial Statements

VisualMED Clinical Solutions Corp.
(A Development Stage Company)

	Index
<u>Report of Independent Registered Public Accounting Firm</u>	F 1
<u>Consolidated Balance Sheets</u>	F 2
<u>Consolidated Statements of Operations</u>	F 3
<u>Consolidated Statements of Cash Flows</u>	F 4
<u>Consolidated Statement of Stockholders' Deficit</u>	F 5
<u>Consolidated Notes to the Financial Statements</u>	F 7

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

MANNING ELLIOTT

11th floor, 1050 West Pender Street, Vancouver, BC, Canada
V6E 3S7

CHARTERED ACCOUNTANTS

Phone: 604. 714. 3600 Fax: 604. 714. 3669 Web:
manningelliott.com

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 balance sheets of VisualMED Clinical Solutions Corp. (A Development Stage Company) as of June 30, 2006 and 2005 and the related statements of operations, cash flows and stockholders' deficit for the period from September 7, 1999 (Date of Inception) to June 30, 2006 and for each of the years in the two year period ended June 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 financial statements present fairly, in all material respects, the financial position of VisualMED Clinical Solutions Corp. (A Development Stage Company) as of June 30, 2006 and 2005, and the results of its operations and its cash flows for the period from September 1, 1999 (Date of Inception) to June 30, 2006 and for each of the years in the two year period ended June 30, 2006, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the 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 financial statements do not include any adjustments that might result from the outcome of this uncertainty.

MANNING ELLIOTT LLP

CHARTERED ACCOUNTANTS

Vancouver, Canada

August 25, 2006

F-1

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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

	June 30, 2006 \$	June 30, 2005 \$
Assets		
Current Assets		
Cash	10,976	348,410
Accounts receivable	2,550	
Advances to related parties (Note 4)	30,175	57,265
Prepaid expenses (Note 3)	249,517	454,777
Inventory	13,587	
Other assets	16,319	14,512
Total Current Assets	323,124	874,964
Property and Equipment (Note 5)	69,754	33,390
Total Assets	392,878	908,354
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	220,785	96,850
Accrued liabilities (Note 6)	155,526	105,350
Notes payable (Note 8)		651,865
Current portion of capital lease obligation (Note 10)	3,951	3,244
Deferred revenue	17,291	67,000
Total Current Liabilities	397,553	924,309
Capital Lease Obligation (Note 10)	3,232	6,515
Total Liabilities	400,785	930,824
Commitments (Notes 1 and 15)		
Stockholders' Deficit		
Preferred Stock,		
Authorized: 15,000,000 shares, Series A 10% Cumulative; par value \$0.00001;		
Issued and outstanding: nil shares		
Authorized: 10,000,000 shares, Undesignated; par value \$0.00001;		
Issued and outstanding: nil shares		
Common Stock,		
Authorized: 100,000,000 shares, par value \$0.00001;		
Issued and outstanding: 46,028,345 shares (2005 - 42,381,400 shares)	460	424
Additional Paid-in Capital	13,887,221	6,687,006
Accumulated Other Comprehensive Loss	(113,753)	(7,171)
Deficit Accumulated During the Development Stage	(13,781,835)	(6,702,729)
Total Stockholders' Deficit	(7,907)	(22,470)

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

Total Liabilities and Stockholders Deficit	392,878	908,354
--	---------	---------

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

F-2

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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

	Accumulated from September 7, 1999 (Date of Inception) to June 30, 2006 \$	For the Year Ended June 30, 2006 \$	For the Year Ended June 30, 2005 \$
Revenue	308,946	308,946	
Cost of sales	175,229	175,229	
Gross Profit	133,717	133,717	
Expenses			
Customer service	1,047,154	618,144	429,010
Amortization	27,514	22,758	4,756
Development costs	1,654,452	1,093,096	561,356
General and administration	2,745,793	2,058,500	687,293
Sales and marketing	3,643,472	3,559,861	83,611
Total Expenses	9,118,385	7,352,359	1,766,026
Net Loss From Operations	(8,984,668)	(7,218,642)	(1,766,026)
Other Income (Expenses)			
Interest	(38,081)	1,637	(39,718)
Financing costs	(4,514,285)		(4,514,285)
Foreign exchange gain	137,276	130,244	7,032
Gain on forgiveness of interest	7,655	7,655	
Gain on forgiveness of debt	12,689		12,689
Net Loss Before Discontinued Operations	(13,379,414)	(7,079,106)	(6,300,308)
Discontinued Operations	(402,421)		(1,143)
Net Loss	(13,781,835)	(7,079,106)	(6,301,451)
Other Comprehensive Loss			
Foreign currency translation adjustments	(113,753)	(106,582)	(7,171)
Comprehensive Loss	(13,895,588)	(7,185,688)	(6,308,622)
Net Loss Per Share - Basic and Diluted		(0.16)	(0.15)
Weighted Average Shares Outstanding		44,163,000	42,140,000

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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

F-3

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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, 2006 \$	For the Year Ended June 30, 2006 \$	For the Year Ended June 30, 2005 \$
Operating Activities			
Net loss	(13,781,835)	(7,079,106)	(6,301,451)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization	29,056	22,758	4,756
Stock-based compensation	9,441,708	4,655,200	4,514,285
Common stock issued for interest	32,063		32,063
Common stock issued for services	81,250		81,250
Write off of assets	3,568		924
Gain on forgiveness of interest	(7,655)	(7,655)	
Gain on settlement of debt	(12,689)		(12,689)
Changes in operating assets and liabilities			
Prepaid expenses	(248,918)	205,859	(454,777)
Inventory	(13,587)	(13,587)	
Other assets	(15,127)	(615)	(14,512)
Deferred revenue	447,292	(49,708)	67,000
Due to related party	12,822		470
Advances and receivables	(459,781)	27,484	(57,265)
Accounts payable and accrued liabilities	365,932	163,731	192,746
Net Cash Used In Operating Activities	(4,125,901)	(2,075,639)	(1,947,200)
Investing Activities			
Purchase of property and equipment	(82,252)	(54,265)	(25,521)
Net Cash Used In Investing Activities	(82,252)	(54,265)	(25,521)
Financing Activities			
Proceeds from short term loans	521,749	521,749	
Proceeds from the sale of common stock	1,485,313	1,379,093	
Repayment of capital lease obligation	(3,425)	(3,425)	
Proceeds from notes payable	2,326,476		2,326,476
Net Cash Provided By Financing Activities	4,330,113	1,897,417	2,326,476
Effect of Exchange Rate Changes on Cash	(110,984)	(104,947)	(6,037)
Increase (Decrease) in Cash	10,976	(337,434)	347,718
Cash Beginning of Period		348,410	692

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

Cash	End of Period	10,976	10,976	348,410
<hr/>				
Non-Cash Financing Activities				
Common stock issued in settlement of advances		133		
Common stock issued for mining claims		2,644		
Common stock issued for services		372,223		100,000
Common stock issued for settlement of notes payable and accrued interest, net		2,853,884	1,165,959	1,687,925
Common stock issued for property & equipment		4,000		4,000
Warrants issued for financing services		662,440		662,440
Capital lease obligation recognized for assets under capital lease		10,520		10,520
<hr/>				

Supplemental Disclosures

Interest paid
Income taxes paid

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

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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, 2006
(expressed in U.S. dollars)

	Common Stock		Additional Paid-In Capital \$	Accumulated Other Comprehensive Loss \$	Deficit Accumulated During the Development Stage \$	Total \$
	Number #	Amount \$				
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)
Balance June 30, 2000	37,500,000	375	274,625		(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)
Balance June 30, 2001	45,466,500	455	380,765		(332,591)	48,629
Net loss					(41,281)	(41,281)
Balance June 30, 2002	45,466,500	455	380,765		(373,872)	7,348
Net loss					(18,202)	(18,202)
Balance June 30, 2003	45,466,500	455	380,765		(392,074)	(10,854)
Net loss					(9,204)	(9,204)
Balance June 30, 2004	45,466,500	455	380,765		(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
	233,333	2	(2)			

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

Issue of common stock by
exercise of cashless warrants at
\$0.001 per share

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)

Balance	June 30, 2005	42,381,400	424	6,687,006	(7,171)	(6,702,729)	(22,470)
---------	---------------	------------	-----	-----------	---------	-------------	----------

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

F-5

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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, 2006

(expressed in U.S. dollars)

		Common Stock		Additional Paid-In Capital \$	Accumulated Other Comprehensive Loss \$	Deficit Accumulated During the Development Stage \$	Total \$
		Number #	Amount \$				
Balance	June 30, 2005	42,381,400	424	6,687,006	(7,171)	(6,702,729)	(22,470)
Issue of common stock for cash at \$0.49 per share upon exercise of stock options		30,500		14,945			14,945
Issue of common stock for cash at \$1.25 per share upon exercise of warrants		1,080,678	11	1,350,836			1,350,847
Issue of common stock to settle notes payable upon exercise of warrants		932,767	9	1,165,950			1,165,959
Issue of common stock for cash at \$1.90 per share upon exercise of stock options		7,000		13,300			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			4,655,200
Foreign currency translation adjustment					(106,582)		(106,582)
Net loss						(7,079,106)	(7,079,106)
Balance	June 30, 2006	46,028,345	460	13,887,221	(113,753)	(13,781,835)	(7,907)

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

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

VisualMED Clinical Solutions Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
(expressed in U.S. dollars)

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 Corporation on November 30, 2004. In September 1999 the Company purchased three mineral claims representing forty-four units, situated in the Greenwood Mining Division in the Province of British Columbia, Canada. The Company's original business plan was to acquire, explore and develop mineral properties and to ultimately seek earnings by exploiting the mineral claims. Pursuant to an Agreement dated September 23, 2004 (the Agreement), which closed on October 13, 2004, the Company agreed to issue 31,866,000 split-adjusted restricted shares of common stock to Visual Healthcare Corporation (VHCC) in exchange for certain assets of VHCC consisting of property and equipment and a suite of clinical software modules (the modules) that are the key components of a Clinical Information System for healthcare facilities. VHCC is a Nevada corporation, based in Montreal, Canada, involved in developing software solutions targeting clinical medicine and related areas of the healthcare market. The Company has the right to exploit, commercialize, install, support and upgrade the modules purchased. The rights to exploit, commercialize, install, support and upgrade 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 exclusivity agreements with other non-related companies. As the result of the transaction, VHCC controlled 80% of the Company.

The Company's new business plan involves the distribution of medical software, and the Company, in connection with the closing of the Agreement discussed above, decided to discontinue its mineral exploration efforts. These mineral interests will be allowed to lapse. 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, 2006, the Company had a working capital deficiency of \$74,429 and has incurred losses of \$13,781,835 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. Management has plans to seek additional capital through equity and/or debt offerings. 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.

2. Summary of Significant Accounting Principles

a) Basis of Presentation and Fiscal Year

These consolidated financials 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 significant 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 conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

VisualMED Clinical Solutions Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
(expressed in U.S. dollars)

2. Summary of Significant Accounting Principles (continued)

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.

d) 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.

e) Long-Lived Assets

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

f) Foreign Currency Transactions

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.

g) 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.

h) 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 (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 excludes all dilutive potential shares since their effect is anti dilutive. Shares underlying these securities totalled approximately 1,132,000 as of June 30, 2006.

F-8

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

VisualMED Clinical Solutions Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
(expressed in U.S. dollars)

2. Summary of Significant Accounting Principles (continued)

i) Financial Instruments

The carrying value of cash, accounts receivable, advances to related parties, accounts payable, accrued liabilities, notes payable 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. The Company deposits cash with a high quality financial institution. For the year ended June 30, 2006, revenue from one customer represented 52% of total revenue and from a second customer represented 46% of total revenue.

j) Inventory

Inventory consists of computer hardware and software acquired for specific revenue contracts and also includes related support and implementation costs.

k) 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*, 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 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 \$35,000 during the year ended June 30, 2006 for annual license renewal fees, which are recognized in revenue over the term of the license. At June 30, 2006, the balance of deferred revenue, which relates to the unearned portion received of annual license fees, is \$17,292. Incremental direct costs related to contract acquisition and origination, which result in deferred revenue, are expensed as incurred. Any allowance for doubtful accounts is based on the Company's detailed assessment of the collectibility of specific customer accounts. Any significant customer accounts that are not expected to be collected are excluded from revenues. To date, the Company has not experienced any losses from uncollectible accounts.

l) 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, 2006 and 2005, the Company's only component of comprehensive loss was foreign currency translation adjustments.

m) Reclassifications

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

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

VisualMED Clinical Solutions Corp.
 (A Development Stage Company)
 Notes to the Consolidated Financial Statements
 (expressed in U.S. dollars)

2. Summary of Significant Accounting Principles (continued)

n) 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.

o) 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.

p) Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, *Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and SFAS No. 3*. SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle and applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The provisions of SFAS No. 154 are effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

The FASB has also issued SFAS No. 155 *Accounting for Certain Hybrid Financial Instruments* and SFAS No. 156 *Accounting for Servicing of Financial Assets*, but they will not have any relationship to the operations of the Company. Therefore a description and its impact for each on the Company's operations and financial position have not been disclosed.

3. Prepaid expenses

As at June 30, 2006 and 2005, the following comprises prepaid expenses:

	June 30, 2006 \$	June 30, 2005 \$
Directors and officers insurance	33,640	
Prepaid expenses related to Medicool contract	204,587	427,935
Other	11,290	26,842
	249,517	454,777

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

VisualMED Clinical Solutions Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
(expressed in U.S. dollars)

4. Advances to Related Parties

		June 30, 2006 \$	June 30, 2005 \$
Advances to employees	(a)	30,175	
Due from Visual Healthcare Corporation, an affiliated company	(b)		664
Due from VisualMED Clinical Systems Inc., an affiliated company	(c)		56,601
		30,175	57,265

- a) Advances to employees of \$30,175 represent amounts advanced towards travel expenses to be incurred. These amounts are non-interest bearing.
- b) At June 30, 2005, the Company was owed \$664 from its parent company, Visual Healthcare Corporation (VHCC). The amount represented cash advances, was unsecured, non-interest bearing and had no specific terms of repayment. During the year ended June 30, 2006, this amount was repaid in full.
- c) At June 30, 2005, the Company was owed \$56,601 from VisualMED Clinical Systems Inc., a wholly-owned subsidiary of VHCC. The amount represented cash advances, was unsecured, non-interest bearing and had no specific terms of repayment. During the year ended June 30, 2006, this amount was repaid in full.

5.. Property and Equipment

	Cost \$	Accumulated Amortization \$	June 30,2006 Net carrying value \$	June 30, 2005 Net carrying value \$
Computer hardware	52,386	14,363	38,023	8,414
Computer software	23,998	8,125	15,873	6,523
Office furniture	12,558	3,430	9,128	10,654
Leasehold improvements	9,670	2,940	6,730	7,799
		98,612	28,858	69,754
				33,390

Assets under capital lease are included in office furniture with a cost of \$11,599. During the year ended June 30, 2006, the Company recognized accumulated amortization of assets under capital lease of \$3,133 (June 30, 2005 \$649).

6. Accrued Liabilities

As at June 30, 2006 and 2005, the following comprises accrued liabilities:

June 30, 2006 \$	June 30, 2005 \$
------------------------	------------------------

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

Salaries, wages and vacation pay	112,276	46,330
Professional fees	35,000	50,000
Other	8,250	9,020
	155,526	105,350

F-11

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

VisualMED Clinical Solutions Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
(expressed in U.S. dollars)

7. Asset Acquisition

Pursuant to an Agreement dated September 23, 2004, which closed on October 13, 2004, the Company issued 31,866,000 split-adjusted restricted shares of common stock to Visual Healthcare Corporation (VHCC) in exchange for certain assets of VHCC consisting of property and equipment, a suite of clinical software modules that are the key components of a Clinical Information System for healthcare facilities, all the issued and outstanding common shares of VisualMed Marketing Inc., and other assets.

The Company completed the Agreement by completing a private placement of 2,275,567 units at \$0.75 per unit to settle outstanding notes payable of \$1,674,612 and accrued interest of \$32,063. Each unit consists of one share of common stock and one warrant. Each warrant entitles the holder to acquire an additional share at a price of \$1.25 per share for a period up to two years from the closing date of the private placement. The Company also paid ongoing operating costs of VCSC from July 1, 2004 to closing of the Agreement, to maintain the ongoing operating costs of VCSC. The Company also requested back to treasury and cancelled 37,500,000 split-adjusted common shares, previously issued to two former directors of the Company, for no consideration. The 31,866,000 split-adjusted restricted shares of common stock were issued to VHCC.

As a result of the above transactions VHCC controlled 80% of the outstanding common shares of the Company. The acquisition has been accounted for as an asset purchase in accordance with EITF 98-3 Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business , as all but a de minimis amount of the fair value of the transferred assets is represented by the software modules. These modules must be modified before implementation by any potential customers. There were no prior sales by VHCC related to these modules. The transferred assets have been recorded at the book value of the transferor, VHCC, as this is a related party transaction. Acquisition costs of \$13,000 associated with this acquisition were charged to operations.

	\$
Property and equipment	4,000
Software modules	
Common shares of VisualMed Marketing, Inc. (an inactive company)	
<hr/>	
Paid by the issue of 31,866,000 split-adjusted common shares	4,000
<hr/>	

8. Notes Payable

In addition to the notes payable issued as described in Note 7, the Company issued notes payable for cash proceeds of \$1,165,959 which bore interest at 10% per annum. On August 26, 2005, the Company issued 180,537 shares of common stock upon the exercise of 180,537 warrants at \$1.25 per share to settle notes payable of \$225,671. On July 19, 2005, the Company issued 752,230 shares of common stock upon the exercise of 752,230 warrants at \$1.25 per share to settle notes payable of \$940,288. A gain on forgiveness of interest expense was recorded during the year ended June 30, 2006 in the amount of \$7,655.

F-12

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

VisualMED Clinical Solutions Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
(expressed in U.S. dollars)

9. Related Party Transactions/Balances

- a) The Company is indebted to a director and an officer for \$NIL (2005 - \$9,230), representing expenses incurred on behalf of the Company. These amounts are included in accounts payable and are unsecured, non-interest bearing and have no specific terms of repayment.
- b) The Company is owed \$NIL (2005 - \$664) from its parent company, Visual Healthcare Corporation (VHCC). The Company is owed \$NIL (2005 - \$56,601) from VisualMED Clinical Systems Inc., a wholly-owned subsidiary of VHCC. These amounts represent cash advances, are unsecured, non-interest bearing and have no specific terms of repayment.
- c) During the year ended June 30, 2006, the Company incurred \$NIL (2005 - \$45,000) in management fees paid to its parent company, Visual Healthcare Corporation.
- d) During the year ended June 30, 2006, the Company incurred \$51,405 (2005 - \$13,565) in consulting fees paid to a family member of the Company s Chief Executive Officer.
- e) At June 30, 2004, the former President of the Company was owed \$12,219 for expenses incurred on behalf of the Company. During the year ended June 30, 2005, the former President incurred an additional \$470 on behalf of the Company. The balance owing of \$12,689 was forgiven and is included in the statement of operations for the year ended June 30, 2005.

10. Capital Lease Obligation

During the year ended June 30, 2005, the Company entered into a leasing arrangement involving office furniture and equipment. The lease is for a three year term and requires monthly payments of \$340 (CDN \$417) per month.

The following represents future minimum lease payments under capital leases and the present value of the minimum lease payments as of June 30, 2006.

	\$
2007	4,491
2008	3,368
<hr/>	
Total minimum lease payments	7,859
Less: Amounts representing interest	(676)
<hr/>	
Present value of net minimum lease payments	7,183
Current portion of obligations under capital leases	(3,951)
<hr/>	
Long-term obligations under capital leases	3,232
<hr/>	

F-13

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

VisualMED Clinical Solutions Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
(expressed in U.S. dollars)

11. Preferred Stock

On January 12, 2006, the Company restated 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 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.

12. Common Stock

Year ended June 30, 2006

- a) On June 21, 2006, the Company issued 5,000 shares of common stock upon the exercise of 5,000 options at an exercise price of \$0.00001 per share.
- b) On June 15, 2006, the Company issued 80,000 shares of common stock upon the exercise of 80,000 options at an exercise price of \$0.00001 per share.
- c) On June 15, 2006, the Company issued 154,000 shares of common stock upon the exercise of 154,000 options at an exercise price of \$0.00001 per share.
- d) On June 5, 2006, the Company issued 200,000 shares of common stock upon the exercise of 200,000 options at an exercise price of \$0.00001 per share.
- e) 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.
- f) On May 24, 2006, the Company issued 125,000 shares of common stock upon the exercise of 125,000 options at an exercise price of \$0.00001 per share.
- g) 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.
- h) On May 8, 2006, the Company issued 23,500 shares of common stock upon the exercise of 23,500 options at an exercise price of \$0.00001 per share.
- i) 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.
- j) 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.
- k) On April 21, 2006, the Company issued 262,000 shares of common stock upon the exercise of 262,000 options at an exercise price of \$0.00001 per share.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

VisualMED Clinical Solutions Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
(expressed in U.S. dollars)

12. Common Stock (continued)

- l) 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.
- m) On April 3, 2006, the Company issued 241,500 shares of common stock upon the exercise of 241,500 options at an exercise price of \$0.00001 per share.
- n) 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.
- o) 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.
- p) 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.
- q) 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.
- r) 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.
- s) 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.
- t) 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.
- u) 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.
- v) 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.
- w) 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.
- x) 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.
- y) 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.

Year Ended June 30, 2005:

- aa) On April 15, 2005, the Company issued 73,333 split-adjusted shares of common stock upon the exercise of 73,333 warrants at an exercise price of \$0.001 per share.
- bb) On March 24, 2005, the Company issued 15,000 split-adjusted shares of common stock at a fair value of \$37,500 for professional services rendered.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

VisualMED Clinical Solutions Corp.
 (A Development Stage Company)
 Notes to the Consolidated Financial Statements
 (expressed in U.S. dollars)

12. Common Stock (continued)

- cc) On March 23, 2005, the Company issued 25,000 split-adjusted shares of common stock at a fair value of \$62,500 for consulting services rendered.
- dd) On March 23, 2005, the Company issued 2,275,567 units at \$0.75 per unit for proceeds of \$1,706,675, pursuant to a private placement offering. Each unit consisted of one split-adjusted share of common stock and one share purchase warrant. Each warrant entitles the holder to acquire one split-adjusted share of common stock at \$1.25 per share for a period of two years. The fair value of the warrants was estimated at \$3,851,845 using the Black-Scholes pricing model and is included as financing costs on the statement of operations. The following assumptions were used: average risk-free interest rate of 3.34%; expected life of one year; dividend yield of 0%; and expected volatility of 68%.
- ee) On March 23, 2005, the Company issued 233,333 warrants as a finder's fee pursuant to a Finder's Fee Agreement dated March 21, 2005. Each warrant entitles the holder to acquire one split-adjusted share of common stock at \$0.001 per share for a period of two years. The fair value of the warrants was estimated at \$662,440 using the Black-Scholes pricing model and is included as financing costs on the statement of operations. The following assumptions were used: average risk-free interest rate of 3.34%; expected life of one year; dividend yield of 0%; and expected volatility of 68%.
- ff) The Company issued 233,333 split-adjusted shares of common stock by the exercise of 233,333 warrants at an exercise price of \$0.001 per share.
- gg) On October 25, 2004, the Company declared a stock dividend of one additional share of common stock for each two shares of common stock outstanding. All per share amounts have been retroactively adjusted to reflect the stock dividend.
- hh) On October 13, 2004, the Company issued 31,866,000 split-adjusted shares of common stock at a fair value of \$4,000 for the acquisition of certain assets acquired from VCSC as described in Note 7.
- ii) On October 13, 2004, 37,500,000 split-adjusted shares previously issued to two directors of the Company were returned to treasury and cancelled for no consideration.

13. Stock Options and Share Purchase Warrants

(i) Stock Options

Effective March 2, 2006, the Company filed a Form S-8 Registration Statement in connection with its 2006 Non-Qualified Stock Option Plan (the 2006 Plan) allowing for the direct award to directors, officers, employees and consultants of shares or stock options to acquire up to a total of 2,500,000 common shares in the aggregate. During the year ended June 30, 2006, the following stock options were granted:

Grant date	# of Options	Exercise Price	Expiry Date
March 1, 2006	595,500	0.49	March 1, 2011
March 3, 2006	1,200,000	0.00001	March 2, 2011
March 10, 2006	416,000	1.90	March 11, 2011
March 10, 2006	159,500	0.00001	March 9, 2011
April 1, 2006	18,000	0.00001	April 1, 2011
April 2, 2006	45,000	0.00001	April 2, 2011
May 23, 2006	125,000	0.00001	May 22, 2011
June 1, 2006	44,000	0.00001	May 31, 2011

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

June 5, 2006	55,000	0.00001	June 5, 2011
June 15, 2006	60,000	0.00001	June 14, 2011
	<u> </u>		
	2,718,000		
	<u> </u>		

F-16

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

VisualMED Clinical Solutions Corp.
 (A Development Stage Company)
 Notes to the Consolidated Financial Statements
 (expressed in U.S. dollars)

13. Stock Options and Share Purchase Warrants (continued)

(i) Stock Options (continued)

The fair value for options granted was estimated at the date of grant using the Black-Scholes option-pricing model and the weighted average fair value of stock options granted during the year ended June 30, 2006, was \$1.76. During the year ended June 30, 2006, the Company recorded stock-based compensation of \$4,655,200.

The following table summarizes the continuity of the Company's stock options:

	Number of Shares	Weighted average exercise price \$
Outstanding, June 30, 2005		
Granted	2,718,000	0.40
Exercised	(1,633,500)	0.02
Cancelled	(200,000)	0.49
<hr/>		
Outstanding, June 30, 2006	884,500	1.08

Additional information regarding options outstanding as at June 30, 2006 is as follows:

Exercise prices	Outstanding			Exercisable	
	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of shares	Weighted average exercise price
\$0.00001	110,500	4.69	\$ 0.00001	110,500	\$ 0.00001
\$0.49	365,000	4.67	\$ 0.49	365,000	\$ 0.49
\$1.90	409,000	4.70	\$ 1.90	409,000	\$ 1.90
	<hr/>			<hr/>	
	884,500	4.69	\$ 1.08	884,500	\$ 1.08

The weighted average assumptions used are as follows:

	Years Ended	
	June 30, 2006	June 30, 2005
Expected dividend yield	\$	\$
	0%	

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

Risk-free interest rate	4.67%
Expected volatility	68%
Expected option life (in years)	2.19

F-17

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

VisualMED Clinical Solutions Corp.
 (A Development Stage Company)
 Notes to the Consolidated Financial Statements
 (expressed in U.S. dollars)

13. Stock Options and Share Purchase Warrants (continued)

ii) Share Purchase Warrants:

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

	Number of Warrants	Weighted average exercise price \$
Balance, June 30, 2005	2,275,567	1.25
Issued		
Exercised	(2,013,445)	1.25
<hr/>		
Outstanding, June 30, 2006	262,122	1.25

At June 30, 2006, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
262,122	\$ 1.25	March 23, 2007

14. 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.

15. Commitments

- a) In November 2004, the Company entered into a lease agreement for office premises at a rate of \$70,649 (CDN\$78,700) 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, 2006, the Company incurred rent expense of \$50,858 (2005 - \$39,055). Future payments for the next five fiscal years are as follows:

2007	\$	70,649
2008	\$	70,649
2009	\$	70,649
2010	\$	19,288
		<hr/>
	\$	231,235

- b) On June 5, 2006, the Company entered into an automobile lease for a term of 48 months. The monthly payments are CAD\$642 ending May 5, 2010.

F-18

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

VisualMED Clinical Solutions Corp.
 (A Development Stage Company)
 Notes to the Consolidated Financial Statements
 (expressed in U.S. dollars)

16. Income Taxes

At June 30, 2006, the Company had net operating losses for U.S. federal income tax purposes of \$2,567,000, which begin expiring in fiscal 2019, and non-capital losses for Canadian income tax purposes of \$1,610,000, which begin expiring in fiscal 2012. When the future utilization of some portion of the losses carried forward is determined not to be more likely than not, a valuation allowance is provided to reduce the recorded tax benefits from such assets. For the periods ended June 30, 2006 and 2005, the valuation allowance established against the deferred tax assets increased by \$867,000 and \$594,000, respectively.

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate follows:

	Canada	United States
Statutory federal income tax rate	37.6%	35.0%
Change in valuation allowance	(37.6%)	(35.0%)
<hr/>		
Total income tax expense		

The deferred tax liabilities and assets as at June 30, 2006 were as follows:

	Canada \$	United States \$
Deferred tax assets		
- Net operating losses carried forward	621,000	898,000
- Less valuation allowance	(621,000)	(898,000)
<hr/>		
Net deferred tax asset and liability		

The deferred tax liabilities and assets as at June 30, 2005 were as follows:

	Canada \$	United States \$
Deferred tax assets		
- Net operating losses carried forward	217,000	466,000
- Less valuation allowance	(217,000)	(466,000)
<hr/>		
Net deferred tax asset and liability		

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND 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 quarter ended June 30, 2006 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:

<u>Name</u>	<u>Age</u>	<u>Position Held</u>
Gerard Dab	58	Chief Executive Officer, Secretary and Director
Arthur Gelston MD	57	President, Chief Science Officer and Director
Barry Scharf	61	Chief Operating Officer and Vice President of Client Services
Larry Kurlender	60	Chief Financial Officer, Treasurer and Principal Accounting Officer
Jayne H. Kirby	48	Vice President of Finance
Michel Maksud	48	Vice President of Technology
Philippe Panzini	41	Director
Louis J. Lombardo	62	Director
Chris Marcolefias	39	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

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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 Medicoool 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 Medicoool 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 NBG 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 2006, 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 Marcofefas and Louis J. Lombardo. Mr. Marcofefas 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, 2006, 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 three most recent fiscal years.

Summary Compensation Table

(a) Name and Principal Position	(b) Year	Annual Compensation			Awards		Payouts	
		(c) Salary (\$)	(d) Bonus (\$)	(e) Other Annual Compensation (\$)	(f) Restricted Stock Award(s) (\$)	(g) Securities Underlying Options / SARs (#)	(h) LTIP Payouts (\$)	(i) All Other Compensation (\$)
Gerard Dab CEO, Secretary & Director	2005	150,638						
	2006	168,170						
Arthur Gelston President, Chief Science Officer and Director	2005							
	2006							
Barry Scharf COO and Vice-President Client Services	2005	130,552				130,000		
	2006	168,170	4,485			100,000		
Larry Kurlender CFO, Treasurer, Principal Accounting Officer	2006		1					
Jayne H. Kirby Vice-President Finance	2005	86,365				100,000		
	2006	96,410				100,000		
Michel Maksud Vice-President Technology	2005							
	2006					200,000		
Philippe Panzini Director	2005							
	2006	19,000						
Louis J. Lombardo Director	2005							
	2006							
Chris Marcolefafas Director	2005							
	2006							

Employment Agreements

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\$162,000 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 Michel Maksud have been granted options to purchase 200,000 shares of our common stock, and Barry Scharf has been granted options to purchase 230,000 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	(c) % of Total Options/SARs	(d) Exercise or Base Price	(e) Market Price on	(f) Expiration Date

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

	Underlying Options/SARs Granted (#)	Granted to Employees in Fiscal Year	(\$/Sh)	Date of Grant	
	130,000	5.2%	\$ 0.49	\$ 2.06	03/01/11
Barry Scharf	100,000	4%	\$ 1.90	\$ 2.02	03/11/11
	100,000	4%	\$ 0.49	\$ 2.06	03/01/11
Jayne H. Kirby	100,000	4%	\$ 1.90	\$ 2.02	03/11/11
	100,000	4%	\$ 0.49	\$ 2.06	03/01/11
Michel Maksud	100,000	4%	\$ 1.90	\$ 2.02	03/11/11

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 2006, 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 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, 2006, 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.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

Name and Address(1)(2)	Number of Shares	Percent of Shares(%) (3)
Gerard Dab(4)		
Arthur Gelston(4)		
Barry Scharf(5,7)	360,000	*
Michel Maksud(7)	200,000	
Jayne H. Kirby(5,7)	300,000	*
Larry Kurlender		
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)	24,054,291	52%

* 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 46,038,345 shares of common stock issued and outstanding as of September 27, 2006 and warrants to purchase 1,146,622 shares of our common stock that are exercisable within 60 days of such date.
- (4) Mr. Dab and Dr. Gelston may be deemed to beneficially own the 24,054,291 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 and Jayne H. Kirby have the right to purchase 130,000 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 per share. 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 6,545,877 common shares of VHCC or 13.2% of its total outstanding shares. Art Gelston, MD owns 6,054,140 shares of VHCC or 12.2% of its total outstanding shares. Philippe Panzini owns 430,215 common shares of VHCC or 0.9% 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 4% of its total outstanding shares. Jayne H. Kirby owns 2,018,054 common shares of VHCC or 4.1% of its total outstanding shares. Barry Scharf owns 2,035,357 common shares of VHCC or 4.1% 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

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 2006.

VHCC owns approximately 52% 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.

Exhibit	Description
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. 2006 Nonqualified Stock Option Plan (incorporated by reference to the Company's Registration Statement on Form S-8 (Registration No. 333-132179), filed with the SEC on March 2, 2006).
4.2	Form of Stock Option Agreement (incorporated by reference to the Company's Registration Statement on Form S-8 (Registration No. 333-132179), filed with the SEC on March 2, 2006).
10.1	Finders Agreement dated March 21, 2005, by and between Stephane Solis and the Company (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form SB-2 (Registration No. 333-125348) filed with the SEC on August 8, 2005).
10.2	Memorandum of a Consultant Agreement dated March 7, 2005, by and between Claude Pellerin and the Company (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form SB-2 (Registration No. 333-125348) filed with the SEC on August 8, 2005).
10.3	Common Stock Purchase Agreement, dated as of March 24, 2005, by and among the Company and Capex Investments Ltd., Asset Protection Fund Ltd. and Aton Select Fund Ltd. (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form SB-2 (Registration No. 333-125348) filed with the SEC on August 8, 2005).
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).*

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

- 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.*
- 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.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

- 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 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.

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 financial statements for the fiscal years ended December 31, 2006 and December 31, 2005, 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.

	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2005
Annual audit fees(1)	\$ \$ 47,525	\$ 19,000
Audit related fees(2)	\$ 10,500	13,775
Tax fees(3)		
All other fees(4)		
Total fees for services	\$ \$ 58,025	\$ 32,775

-
- (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 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.

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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 26th day of September 2006.

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.

Signature	Title	Date
<u>/s/ Gerard Dab</u> Gerard Dab	Principal Executive Officer, Secretary and a member of the Board of Directors	September 27 , 2006
<u>/s/ Arthur Gelston MD</u> Arthur Gelston MD	President, Chief Science Officer and a member of the Board of Directors	September 27, 2006
<u>/s/ Larry Kurlender</u> Larry Kurlender	Principal Financial Officer, Principal Accounting Officer and Treasurer	September 27, 2006
<u>/s/ Jayne H. Kirby</u> Jayne H. Kirby	Vice President of Finance	September 27, 2006
<u>/s/ Louis J. Lombardo</u> Louis J. Lombardo	A member of the Board of Directors	September 27, 2006
<u>/s/ Philippe Panzini</u> Philippe Panzini	A member of the Board of Directors	September 27, 2006
<u>/s/ Chris Marcolefafas</u> Chris Marcolefafas	A member of the Board of Directors	September 27, 2006

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

Exhibit	Description
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. 2006 Nonqualified Stock Option Plan (incorporated by reference to the Company's Registration Statement on Form S-8 (Registration No. 333-132179), filed with the SEC on March 2, 2006).
4.2	Form of Stock Option Agreement (incorporated by reference to the Company's Registration Statement on Form S-8 (Registration No. 333-132179), filed with the SEC on March 2, 2006).
10.1	Finders Agreement dated March 21, 2005, by and between Stephane Solis and the Company (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form SB-2 (Registration No. 333-125348) filed with the SEC on August 8, 2005).
10.2	Memorandum of a Consultant Agreement dated March 7, 2005, by and between Claude Pellerin and the Company (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form SB-2 (Registration No. 333-125348) filed with the SEC on August 8, 2005).
10.3	Common Stock Purchase Agreement, dated as of March 24, 2005, by and among the Company and Capex Investments Ltd., Asset Protection Fund Ltd. and Aton Select Fund Ltd. (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form SB-2 (Registration No. 333-125348) filed with the SEC on August 8, 2005).
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.*
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).

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

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.

27

Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10-K

- 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 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.