# United States Securities and Exchange Commission
**Washington, D.C. 20549**

# FORM 10-QSB

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

For the quarterly period ended September 30th, 2007

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT

For the transition period from ______________________ to ______________________

**Commission file number: 000-33191**

# VISUALMED CLINICAL SOLUTIONS CORP.
(Exact name of small business issuer as specified in its charter)

| | |
|---|---|
| **NEVADA** | **88-0436055** |
| (State of other jurisdiction of incorporation or organization) | (IRS Employer Identification Number) |

**1035 Laurier Street West**
**Montreal, Quebec**
**Canada H2V 2L1**
(Address of principal executive offices)

**(514) 274-1115**
(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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 x No o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

**APPLICABLE ONLY TO CORPORATE ISSUERS**

As of November 14, 2007 the issuer had 55,498,345 outstanding shares of common stock.

Transitional Small Business Disclosure Format (Check one): Yes o No x

**PART I.**

**ITEM 1. - Financial Statements**

VisualMED Clinical Solutions Corp.
(A Development Stage Company)



1

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

| | September 30, 2007 $ (Unaudited) | June 30, 2007 $ |
|---|---|---|
| Assets | | |
| Current Assets | | |
| Cash | — | 123,318 |
| Accounts receivable | 6,250 | 130,717 |
| Advances to related parties (Note 3) | 30,315 | 29,231 |
| Prepaid expenses (Note 4) | 94,071 | 122,250 |
| Inventory | 50,552 | 3,226 |
| Other assets | 13,064 | 7,941 |
| Total Current Assets | 194,252 | 416,683 |
| Property and Equipment (Note 5) | 44,942 | 51,190 |
| Total Assets | 239,194 | 467,873 |
| Liabilities and Stockholders' Deficit | | |
| Current Liabilities | | |
| Bank indebtedness | 12,703 | — |
| Accounts payable | 1,542,470 | 1,387,121 |
| Accrued liabilities (Note 6) | 166,901 | 197,401 |
| Loan payable (Note 7) | 50,405 | — |
| Advances from related parties (Note 8) | 102,705 | 42,288 |
| Current portion of capital lease obligation | 2,450 | 3,386 |
| Deferred revenue | 310,081 | 298,250 |
| Total Liabilities | 2,187,715 | 1,928,446 |
| Commitments (Notes 1 and 14) | | |
| Stockholders' Deficit | | |
| Preferred Stock (Note 9), | | |
| 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 (Note 10), | | |
| Authorized: 100,000,000 shares, par value $0.00001; | | |
| Issued and outstanding: 52,218,345 shares (June 30, 2007 – 49,728,345 shares) | 522 | 497 |
| Additional Paid-in Capital | 28,625,166 | 27,269,830 |
| Common Stock Subscriptions Receivable | (2,450) | (2,450) |

| | | |
|---|---|---|
| Accumulated Other Comprehensive Loss | (266,309) | (254,013) |
| Deficit Accumulated During the Development Stage | (30,305,450) | (28,474,437) |
| Total Stockholders Deficit | (1,948,521) | (1,460,573) |
| Total Liabilities and Stockholders Deficit | 239,194 | 467,873 |

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

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

| | Accumulated from September 7, 1999 (Date of Inception) to September 30, 2007 $ | For the Three Months Ended September 30, 2007 $ | For the Three Months Ended September 30, 2006 $ |
|---|---|---|---|
| Revenue | 724,508 | 59,750 | 8,750 |
| Cost of sales | 201,003 | 12,187 | 4,238 |
| Gross Profit | 523,505 | 47,563 | 4,512 |
| | | | |
| Expenses | | | |
| Acquired in-process research and development | 7,920,730 | — | — |
| Amortization | 69,998 | 9,064 | 8,055 |
| Customer service | 1,952,567 | 186,254 | 140,089 |
| Development costs | 2,332,715 | 162,098 | 132,964 |
| General and administration | 5,169,150 | 329,364 | 178,817 |
| Sales and marketing | 8,716,869 | 1,182,328 | 1,021,660 |
| | | | |
| Total Expenses | 26,162,029 | 1,869,108 | 1,481,585 |
| | | | |
| Net Loss From Operations | (25,638,524) | (1,821,545) | (1,477,073) |
| | | | |
| Other Income (Expenses) | | | |
| Interest | (47,824) | (6,547) | (168) |
| Financing costs | (4,514,285) | — | — |
| Foreign exchange gain | 277,260 | (2,921) | 234 |
| Gain on forgiveness of interest | 7,655 | — | — |
| Gain on forgiveness of debt | 12,689 | — | — |
| | | | |
| Net Loss Before Discontinued Operations | (29,903,029) | (1,831,013) | (1,477,007) |
| | | | |
| Discontinued Operations | (402,421) | — | — |
| | | | |
| Net Loss | (30,305,450) | (1,831,013) | (1,477,007) |
| | | | |
| Other Comprehensive Loss | | | |
| Foreign currency translation adjustments | (266,309) | (12,296) | (2,156) |
| | | | |
| Comprehensive Loss | (30,571,759) | (1,843,309) | (1,479,163) |
| | | | |
| Net Loss Per Share – Basic and Diluted | | (0.04) | (0.03) |

| | | |
|---|---|---|
| Weighted Average Shares Outstanding | 51,069,000 | 46,038,000 |

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

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

| | For the Three Months Ended September 30, 2007 $ | For the Three Months Ended September 30, 2006 $ |
|---|---|---|
| Operating Activities | | |
| Net loss | (1,831,013) | (1,477,007) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Amortization | 9,064 | 8,055 |
| Stock-based compensation | 1,355,361 | 963,746 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 124,467 | — |
| Prepaid expenses | 35,744 | 220,076 |
| Inventory | (47,327) | — |
| Other assets | (4,551) | 6,700 |
| Deferred revenue | 11,831 | 239,250 |
| Advances to related parties | (1,960) | 7,902 |
| Accounts payable and accrued liabilities | 117,778 | (57,321) |
| Other liabilities | — | 90,086 |
| Net Cash (Used In) Provided By Operating Activities | (230,606) | 1,487 |
| Investing Activities | | |
| Purchase of property and equipment | — | (11,575) |
| Net Cash (Used In) Investing Activities | — | (11,575) |
| Financing Activities | | |
| Proceeds from the sale of common stock | — | 4,900 |
| Bank indebtedness | 12,703 | — |
| Proceeds from loan | 50,405 | — |
| Repayment of capital lease obligation | (1,119) | (927) |
| Advances from related parties | 57,641 | — |
| Net Cash Provided By Financing Activities | 119,630 | 3,973 |
| Effect of Exchange Rate Changes on Cash | (12,342) | (2,048) |
| Decrease in Cash | (123,318) | (8,163) |
| Cash — Beginning of Period | 123,318 | 10,976 |
| Cash — End of Period | — | 2,813 |
| | | |
| Supplemental Disclosures | | |
| Interest paid | — | — |
| Income taxes paid | — | — |

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

1. Nature of Operation and Continuance of Business

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

The Companys business plan involves the distribution of medical software. The Company is primarily involved in activities related to the distribution of medical software and is considered to be a development stage company. At September 30, 2007, the Company had a working capital deficiency of $1,993,463 and has incurred losses of $30,305,450 since inception. The ability of the Company to emerge from the development stage with respect to any planned principal business activity is dependent upon its successful efforts to raise additional equity financing and then attain profitable operations. There is no guarantee that the Company will be able to complete any of the above objectives. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern. These factors raise substantial doubt regarding the Companys ability to continue as a going concern.

Management plans to seek additional capital through equity and/or debt offerings and has asked for the continued financial support of related parties.

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 any revenues from its principal business and is a development stage company as defined by Statement of Financial Accounting Standard (SFAS) No. 7 Accounting and Reporting by Development Stage Enterprises. These financial statements include the accounts of the Company and its wholly-owned subsidiary, VisualMed Clinical Systems Marketing Inc., a company incorporated and based in the province of Quebec, Canada. All intercompany transactions and balances have been eliminated. The Companys fiscal year-end is June 30.

b) Interim Consolidated Financial Statements

The interim unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Securities and Exchange Commission (SEC) Form 10-QSB. They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with the Companys audited consolidated financial statements and notes thereto for the year ended June 30, 2007, included in the Companys Annual Report on Form 10-KSB filed on September 28, 2007 with the SEC.

The consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly the Companys consolidated financial position at September 30, 2007 and June 30, 2007, and the consolidated results of its operations and consolidated cash flows for the three months ended September 30, 2007 and 2006. The results of operations for the three months ended September 30, 2007 are not necessarily indicative of the results to be expected for future quarters or the full year.

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

2. Summary of Significant Accounting Policies (continued)

c) Use of Estimates

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

d) 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.

e) Allowance for Doubtful Accounts

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

f) 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.

g) Long-Lived Assets

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

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

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

2. Summary of Significant Accounting Policies (continued)

h) 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.

i) 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.

j) 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 exclude all dilutive potential shares since their effect is anti dilutive. Shares underlying these securities totaled approximately 11,950,000 as of September 30, 2007.

k) Financial Instruments and Concentrations

The carrying value of accounts receivable, advances to related parties, bank indebtedness, accounts payable, accrued liabilities, advances from related parties and capital lease obligation approximate fair value due to the relatively short maturity of these instruments. Financial instruments which potentially subject the Company to a concentration of credit risk consist primarily of accounts receivable. For the three-month period ended September 30, 2007, revenue from one customer represented 90% (2006 – 57%) of total revenue and from a second customer represented 10% (2006 – 43%) of total revenue. At September 30, 2007, one customer represented 60% of accounts receivable and a second customer represented 32% of accounts receivable.

l) Inventory

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

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

2. Summary of Significant Accounting Policies (continued)

m) Revenue Recognition

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

Incremental direct costs related to contract acquisition and origination, which result in deferred revenue, are expensed as incurred. Any significant customer accounts that are not reasonably assured to be collected are excluded from revenues. During the year ended June 30, 2007, the Company licensed technology to a customer for $1,410,600 ($1,500,000 CAD). At June 30, 2007, $1,172,420 ($1,163,000 CAD) has been excluded from revenues as collectability was considered by management to not be reasonably assured.

n) 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 three-month periods ended September 30, 2007 and 2006, the Company's only component of comprehensive loss was foreign currency translation adjustments.

o) Reclassifications

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

p) 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.

q) Advertising Costs

Advertising costs are charged to operations as incurred.

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

2. Summary of Significant Accounting Policies (continued)

r) Warranty

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

s) Stock-based Compensation

The Company records stock-based compensation in accordance with SFAS No. 123R "Share Based Payments", using the fair value method. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Equity instruments issued to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments issued.

t) Recently Adopted Accounting Pronouncements

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

u) Recently Issued Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115". This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, "Fair Value Measurements". The adoption of this statement is not expected to have a material effect on the Company's financial statements.

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

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

3. Advances to Related Parties

| | September 30, 2007 $ | June 30, 2007 $ |
|---|---|---|
| Advances to employees | 30,315 | 29,231 |

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

4. Prepaid Expenses

| | September 30, 2007 $ | June 30, 2007 $ |
|---|---|---|
| Directors and officers insurance | 7,175 | 14,568 |
| Rent | 74,912 | 91,419 |
| Security deposit | 4,536 | 4,232 |
| Other | 7,448 | 12,031 |
| | 94,071 | 122,250 |

5. Property and Equipment

| | Cost $ | Accumulated Amortization $ | September 30,2007 Net carrying value $ | June 7 , 2007 Net carrying value $ |
|---|---|---|---|---|
| Computer hardware | 67,622 | 44,000 | 23,622 | 27,622 |
| Computer software | 31,360 | 21,609 | 9,751 | 11,611 |
| Office furniture | 14,102 | 7,376 | 6,726 | 6,932 |
| Leasehold improvements | 10,859 | 6,016 | 4,843 | 5,025 |
| | 123,943 | 79,001 | 44,942 | 51,190 |

Assets under capital lease with a cost of $13,026 are included in office furniture. During the three month period endedSeptember 30, 2007, the Company recognized amortization of assets under capital lease of $617 (September 30, 2006 -$927).

6. Accrued Liabilities

| | September 30, 2007 $ | June 30, 2007 $ |
|---|---|---|
| Salaries, wages and vacation pay | 163,371 | 197,401 |
| Other | 3,530 | — |
| | 166,901 | 197,401 |

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

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7.