

HEALTHCARE BUSINESS SERVICES GROUPS, INC.  
Form 10QSB/A  
August 18, 2005

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-QSB/A**

**Amendment No. 1**

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-50014

HEALTHCARE BUSINESS SERVICES GROUPS, INC.

(Exact name of small business issuer as specified in its charter)

NEVADA

88-0478644

(State or other jurisdiction of  
incorporation or organization) (IRS Employer Identification No.)

1126 West Foothill Blvd, Suite 105, Upland, CA 91786

(Address of principal executive offices)

(909) 608-2035

(Registrant's telephone number)

N/A

(Former name and address)

Check whether the registrant (1) has 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 [ ]

As of August 15, 2005, 31,040,150 shares, \$0.001 par value of the Company's common stock ("Common Stock") of the issuer were outstanding.



**PART I - FINANCIAL INFORMATION**

**Unaudited Financial Statements**

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and pursuant to the rules and regulations of the Securities and Exchange Commission ("Commission"). While these statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the financial statements and footnotes thereto, which are included in the Company's Annual Report on Form 10-KSB previously filed with the Commission on May 16, 2005.

**HEALTHCARE BUSINESS SERVICES GROUPS INC.**  
**(formerly Winfield Financial Group, Inc.)**  
**CONSOLIDATED BALANCE SHEET**  
**(UNAUDITED)**  
**June 30, 2005**

**ASSETS**

**CURRENT ASSETS:**

Receivable from officer	\$	15,155
-------------------------	----	--------

<b>PROPERTY AND EQUIPMENT, net</b>		78,830
------------------------------------	--	--------

**INTANGIBLE ASSET, net**

Website technology costs, net		150,439
-------------------------------	--	---------

**DEPOSITS**

Total Assets	\$	249,655
--------------	----	---------

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$	744,859
---------------------------------------	----	---------

Contingent liabilities		263,829
------------------------	--	---------

Line of credit		116,632
----------------	--	---------

Current portion of notes payable		89,949
----------------------------------	--	--------

Convertible note payable for services		250,000
---------------------------------------	--	---------

Total current liabilities		1,465,270
---------------------------	--	-----------

<b>NOTES PAYABLE</b>		370,674
----------------------	--	---------

<b>COMMITMENTS &amp; CONTINGENCIES</b>		-
--	--	---

**STOCKHOLDERS' DEFICIT**

Preferred stock, \$0.001 par value;		
-------------------------------------	--	--

Authorized shares 5,000,000, none issued and outstanding		-
Common stock, \$0.001 par value; Authorized shares 50,000,000, 31,040,150 shares issued and outstanding		31,040
Additional paid in capital		556,768
Accumulated deficit		(2,174,096)
Total stockholders' deficit		(1,586,288)
Total Liabilities and Stockholders' Deficit	\$	249,655

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

**HEALTHCARE BUSINESS SERVICES GROUPS INC.**  
**(formerly Winfield Financial Group, Inc.)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	For the three month periods		For the six month periods	
	June 30		June 30	
	2005	2004	2005	2004
<b>Net revenues</b>	\$ 360,641	\$ 423,750	\$ 726,830	\$ 832,066
<b>Operating expenses</b>				
General and administrative expenses	522,382	1,786,254	1,113,882	2,283,976
Depreciation and amortization	27,057	9,312	55,173	18,624
Consulting fees	37,924	30,238	43,493	52,368
Total operating expenses	587,363	1,825,804	1,212,548	2,354,968
<b>Loss from Operations</b>	(226,722)	(1,402,054)	(485,718)	(1,522,902)
Non-operating income (expense):				
Gain on sale of land	261,863	-	261,863	-
Interest expense	(30,318)	(26,809)	(52,232)	(42,290)
<b>Gain/(loss) before income taxes</b>	4,823	(1,428,863)	(276,087)	(1,565,192)
Provision for income taxes	-	-	2,400	-
<b>Net income/(loss)</b>	\$ 4,823	\$ (1,428,863)	\$ (278,487)	\$ (1,565,192)
<b>Basic &amp; diluted net loss per share</b>	\$ 0.000	\$ (0.048)	\$ (0.006)	\$ (0.057)
<b>Basic &amp; diluted weighted average number of common stock outstanding</b>	31,040,150	29,831,277	49,118,359	27,490,638

\* Weighted average number of shares used to compute basic and diluted loss per share is the same since the effect of dilutive securities is anti-dilutive.

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



**HEALTHCARE BUSINESS SERVICES GROUPS INC.**  
**(formerly Winfield Financial Group, Inc.)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**

	<b>For the six month periods ended</b>	
	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (278,487)	\$ (1,565,192)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	55,173	18,624
Issuance of shares for service	19,000	1,010,000
Gain on sale of land	(261,863)	
(Increase) decrease in current assets:		
Receivables	(15,155)	78,306
Other assets	(896)	156
Increase in current liabilities:		
Accounts payable and accrued expenses	(227,267)	320,048
Net cash used in operating activities	(709,495)	(138,058)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property & equipment	(40,831)	(67,699)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	490,425	210,317
Proceeds on line of credit	16,297	-
Payments of line of credit		(1,751)
Net cash provided by financing activities	506,722	208,566
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(243,604)</b>	<b>2,809</b>
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING BALANCE</b>	<b>243,604</b>	<b>916</b>
<b>CASH &amp; CASH EQUIVALENTS, ENDING BALANCE</b>	<b>\$ -</b>	<b>\$ 3,725</b>

Supplementary Information:

Cash paid during the year for:

Interest	\$	13,928	\$	5,481
Income taxes	\$	-	\$	-

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

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**(UNAUDITED)**

**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION**

**(A) Organization and Nature of Business**

Healthcare Business Services Groups Inc. (herein referred to as "Healthcare" or "Company" formerly known as Winfield Financial Group, Inc.) ("Winfield") was formed in Delaware in December 1994. On April 23, 2004, Winfield acquired 100% of the issued and outstanding shares of Healthcare, a Delaware corporation. As part of the same transaction on May 7, 2004, Winfield acquired 100% of the issued and outstanding shares of AutoMed Software Corp., a Nevada corporation ("AutoMed"), and 100% of the membership interests of Silver Shadow Properties, LLC, a Nevada single member limited liability company ("Silver Shadow"). The transactions are collectively referred to herein as the "Acquisition." As a result of the Acquisition, Winfield acquired 100% of three corporations.

Winfield acquired Healthcare, AutoMed, and Silver Shadow from the sole owner, in exchange for 25,150,000 newly issued treasury shares of the Winfield's common stock. Immediately after these transactions, there were 31,414,650 shares of Winfield's common stock outstanding. As a result, control of Winfield shifted to the sole owner who owns approximately 80.0% of Winfield's common stock, and the Company changed its name to Healthcare. Here in after all references to Winfield refer to Healthcare, AutoMed, and Silver Shadow as a collective whole since their various inceptions.

Healthcare is a medical billing service provider that for over fifteen years has assisted various health care providers to successfully enhance their billing function. Healthcare has a diversified market base with operations in Providence, Rhode Island; Laredo, Texas; and Upland, California. Healthcare's sister company, AutoMed, has developed a proprietary software system. In addition, Healthcare's other sister company, Silver Shadow, made an investment in real estate where Healthcare plans to construct its first surgical center and corporate office development. During the period, the Company transferred the real estate and construction with historical cost of \$488,137 and the loan associated with the real estate worth \$250,000 with accrued interest of \$12,500 to the officer of the Company. The officer of the Company owes \$15,155 to the Company as a result of this transfer.

The merger of the Company with Healthcare Business Services Groups, Inc., was accounted for as a reverse acquisition under the purchase method of accounting since the shareholders of Healthcare Business Services Groups, Inc., obtained control of the consolidated entity. Accordingly, the merger of the two companies has been recorded as a recapitalization of the Healthcare Business Services Groups, Inc., with Healthcare Business Services Groups, Inc., being treated as the continuing entity. The continuing company has retained December 31 as its fiscal year end. The historical results for the six months period ended June 30, 2005 include Healthcare Business Services Groups, Inc., and the Company, while the historical results for the six month periods ended June 30, 2004 are for Healthcare Business Services Groups, Inc.

## **PRINCIPLES OF CONSOLIDATION**

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Healthcare Business Services Groups, Inc., and its wholly owned subsidiary, AutoMed Software Corp., and Silver Shadow Properties, LLC. All significant inter-company accounts and transactions have been eliminated in consolidation. The acquisition of Healthcare Business Services Groups, Inc., on May 7, 2004, has been accounted for as a purchase and treated as a reverse acquisition. The historical results for the six months period ended June 30, 2005 include Healthcare Business Services Groups, Inc., and the Company, while the historical results for the six month periods ended June 30, 2004 are for Healthcare Business Services Groups, Inc.

### **(B) Use of Estimates**

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as certain financial statements disclosures. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from those estimates.

### **(C) Revenue Recognition**

The Company's revenue recognition policies are in compliance with Staff accounting bulletin SAB 104. All revenue is recognized when persuasive evidence of an arrangement exists, the service or sale is complete, the price is fixed or determinable and collectibility is reasonably assured. Revenue is derived from collections of medical billing services. Revenue is recognized when the collection process is complete which occurs when the money is collected.

License Revenue - The Company recognizes revenue from license contracts when a non-cancelable, non-contingent license agreement has been signed, the software product has been delivered, no uncertainties exist surrounding product acceptance, fees from the agreement are fixed and determinable and collection is probable. Any revenues from software arrangements with multiple elements are allocated to each element of the arrangement based on the relative fair values using specific objective evidence as defined in the SOPs. If no such objective evidence exists, revenues from the arrangements are not recognized until the entire arrangement is completed and accepted by the customer. Once the amount of the revenue for each element is determined, the Company recognizes revenues as each element is completed and accepted by the customer. For arrangements that require significant production, modification or customization of software, the entire arrangement is accounted for by the percentage of completion

method, in conformity with Accounting Research Bulletin ("ARB") No. 45 and SOP 81-1.

Services Revenue - Revenue from consulting services is recognized as the services are performed for time-and-materials contracts and contract accounting is utilized for fixed-price contracts. Revenue from training and development services is recognized as the services are performed. Revenue from maintenance agreements is recognized ratably over the term of the maintenance agreement, which in most instances is one year.

**(D) Software development Costs**

The Company has adopted Statement of Position 98-1 ("SOP 98-1") "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", as its accounting policy for internally developed computer software costs. Under SOP 98-1, computer software costs incurred in the preliminary development stage are expensed as incurred. Computer software costs incurred during the application development stage are capitalized and amortized over the software's estimated useful life.

**(E) Impairment of Long-Lived Assets**

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations for a Disposal of a Segment of a Business." The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

**(F) Stock-based Compensation**

The Company accounts for non-cash stock-based compensation issued to non-employees in accordance with the provisions of SFAS No. 123 and EITF No. 96-18, Accounting for Equity Investments That Are Issued to Non-Employees for Acquiring, or in Conjunction with Selling Goods or Services. Common stock issued to non-employees and consultants is based upon the value of the services received or the quoted market price, whichever value is more readily determinable. The Company accounts for stock options and warrants issued to employees under the intrinsic value method. Under this method, the Company recognizes no compensation expense for stock options or warrants granted when the number of underlying shares is known and the exercise price of the option or warrant is greater than or equal to the fair market value of the stock on the date of grant. As of June 30, 2005, there were no options or warrants outstanding.

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock Based Compensation-Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used, on reported results. The adoption of SFAS No. 148 did not have a material affect on the net loss of the Company.



**(G) Fair Value of Financial Instruments**

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" requires disclosures of information about the fair value of certain financial instruments for which it is practicable to estimate that value. For purposes of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The carrying amounts of the Company's accounts and other receivables, accounts payable, accrued liabilities, factor payable, capital lease payable and notes and loans payable approximates fair value due to the relatively short period to maturity for these instruments.

**(H) Concentrations of Risk**

Financial instruments which potentially subject the Company to concentrations of credit risk are cash and accounts receivable. The Company places its cash with financial institutions deemed by management to be of high credit quality. The amount on deposit in any one institution that exceeds federally insured limits is subject to credit risk. All of the Company's revenue and majority of its assets are derived from operations in Unites States of America.

**(I) Reporting Segments**

Statement of financial accounting standards No. 131, Disclosures about segments of an enterprise and related information (SFAS No. 131), which superseded statement of financial accounting standards No. 14, Financial reporting for segments of a business enterprise, establishes standards for the way that public enterprises report information about operating segments in annual financial statements.

Healthcare is a medical billing service provider. Healthcare's sister company, AutoMed, has developed a proprietary software system. In addition, Healthcare's other sister company, Silver Shadow, made an investment in real estate where Healthcare plans to construct its first surgical center and corporate office development.

There has been very insignificant activity in Automed and Silver Shadow. Hence the Company has determined it has only one segment.

**(J) Comprehensive Income**

Statement of financial accounting standards No. 130, Reporting comprehensive income (SFAS No. 130), establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity, except those resulting from investments by owners and distributions to owners. Among other disclosures, SFAS No. 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in financial statements that are displayed with the same prominence as other financial statements.

**(K) Reclassifications**

For comparative purposes, prior years' consolidated financial statements have been reclassified to conform with report classifications of the current year.

**(L) New Accounting Pronouncements**

**New pronouncements**

In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 151 ("SFAS 151"), "Inventory Costs, an amendment of ARB No. 43, Chapter 4." The amendments made by SFAS 151 clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 23, 2004. The Company is in process of evaluating the impact of this pronouncement on its financial position.

In December 2004, the FASB issued FASB Statement No. 123R, "Share-Based Payment, an Amendment of FASB Statement No. 123" ("FAS No. 123R"). FAS No. 123R requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees. FAS No. 123R is effective beginning in the Company's second quarter of fiscal 2006. The Company is in process of evaluating the impact of this pronouncement on its financial position.

In December 2004, the FASB issued SFAS Statement No. 153, "Exchanges of Non-monetary Assets." The Statement is an amendment of APB Opinion No. 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. The Company believes that the adoption of this standard will have no material impact on its financial statements.

**(M) Supplemental Disclosure of Non-cash Investing and Financing Activities**

The cash flow statements do not include the following non-cash investing and financing activities. During the six months ended June 30, 2005, the Company issued 100,000 restricted common shares valued at \$19,000 to a consultant for providing business and advisory services.

**(N) Basis of presentation**

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for the presentation of interim financial information, but do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The audited consolidated financial statements for the year ended December 31, 2004 were filed on May 16, 2005 with the Securities and Exchange Commission and are hereby referenced. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ended December 31, 2005.

**(O) Issuance of shares for service**

The Company accounts for the issuance of equity instruments to acquire goods and services based on the fair value of the goods and services or the fair value of the equity instrument at the time of issuance, whichever is more reliably measurable.

**NOTE 2**

**REVERSE ACQUISITION**

On April 23, 2004, Winfield acquired 100% of the issued and outstanding shares of Healthcare. As part of the same transaction on May 7, 2004, Winfield acquired 100% of the issued and outstanding shares of AutoMed and 100% of the membership interests of Silver Shadow. The transactions are collectively referred to herein as the "Acquisition." As a result of the Acquisition, Winfield acquired 100% of two corporations and one limited liability company and has changed its business focus.

Winfield acquired Healthcare, AutoMed, and Silver Shadow from the sole owner, in exchange for 25,150,000 newly issued treasury shares of Winfield's common stock. Immediately after these transactions, there were 31,414,650 shares of Winfield's common stock outstanding. As a result, control of Winfield shifted to the sole owner who owned approximately 80.0% of Winfield's common stock immediately after the Acquisition. On January 7, 2005, the Company changed its name to Healthcare. Due to cancellations and an additional issuance, the sole owner currently owns 25,150,000 shares out of 31,040,150 shares of common stock of Winfield (or approximately 81%).

**NOTE 3**

**PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2005 consisted of the following:

	June 30, 2005
Office and computer equipment	\$ 124,966
Furniture and fixtures	89,869
	214,835
Less accumulated depreciation	(136,005)
	\$ 78,830

The Company purchased land in November 2003 for \$390,000 and has incurred \$98,137 through the end of the period towards the construction of the building.

During the period, the Company transferred the land and construction with historical cost of \$488,137 and the loan associated with the land worth \$250,000 with accrued interest of \$12,500 to the officer of the Company. The officer of the Company owes \$15,155 to the Company as a result of this transfer. The company booked a gain of \$261,863 on the transaction.

Depreciation expense for the six months ended June 30, 2005 and 2004 was \$17,563 and \$18,624, respectively.

**NOTE 4**

**INTANGIBLE ASSETS**

The Company is accounting for computer software technology costs under the Capitalization criteria of Statement of Position 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

Expenditures for maintenance and repairs are expensed when incurred; additions, renewals and betterments are capitalized. Amortization is computed using the straight-line method over the estimated useful life of the asset (3 years). Amortization begins from the date when the software becomes operational. The website became operational from July 1, 2004. The Company amortized \$37,610 in the accompanying financial statements at June 30, 2005. The balance at June 30, 2005 amounts to \$150,439.

**NOTE 5**

**ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses consist of the following:

Trade payable	\$ 355,681
Accrued expenses	59,786
Accrued interest	58,702
Customer deposits	5,000
Income tax payable	7,955
Accrued payroll liabilities	21,505
Accrued vacation and sick time	9,379
Equipment payable	20,430
Payable to clients	157,953
Credit cards payable	27,909
Other payables	20,559

Total accounts payable and accrued expenses \$ 744,859

**NOTE 6**

**LINE OF CREDIT**

The Company has two revolving lines of credit from two financial institutions for \$50,000 and \$75,000. The credit lines are unsecured and bear an annual interest rate of 10.75% and 16.24%, respectively. The credit lines are personally guaranteed by the CEO of the Company. The Company has borrowed \$44,170 and \$72,461 from the credit lines as of June 30, 2005.



**NOTE 7****NOTES PAYABLE**

Notes payable are summarized as follows:

	June 30, 2005
Equipment loan: May 2003 due April 2008; payable in monthly installments of \$1,030; annual interest of 14%; secured by equipment	\$ 29,465
Note payable: November 2004 due November 2006; interest only payments of \$3,500 monthly; annual interest of 12%; secured by personal guaranty of the CEO and all of the issued and outstanding stock of the Company	350,000
Note payable: August 2004 due August 2005; interest only payments of \$1,188 monthly; annual interest of 9.5%; unsecured	81,158
	460,623
Less current portion	(89,949)
Notes payable, net of current portion	\$ 370,674

The following is a summary of principal maturities of notes payable:

June 30, 2006	\$ 89,949
June 30, 2007	360,207
June 30, 2008	10,467
	\$ 460,623

The Company recorded interest expense of \$13,506 and \$27,081 on these notes for the three month and six month periods ended June 30, 2005 respectively. The Company recorded interest expense of \$1,340 and \$2,740 on these notes for the three month and six month periods ended June 30, 2004 respectively.

**NOTE 8**

**CONVERTIBLE NOTE PAYABLE FOR SERVICES**

In connection with a consulting agreement, Healthcare agreed to pay \$250,000 for financial and business advisory services. The payment is in the form of a convertible note payable. The note was entered into in April 2004 and is due in April 2005 unless Healthcare receives \$3,000,000 in funding at which time the note is payable immediately. The note bears interest of 4% and is unsecured. The note is in default and is immediately payable. The note and accrued interest are convertible into the Company's common stock at 75% of the market price when converted. If the Company defaults on the note, the note is convertible at 50% of the market price when converted. When the note was issued, the market value of the stock was \$0.04. The Company recorded beneficial conversion feature expense of \$83,333 associated with the note for the year ended December 31, 2004.

**NOTE 9**

**STOCKHOLDERS' DEFICIENCY**

**Common Stock**

The Company is presently authorized to issue 50,000,000 shares of \$0.001 par value Common Stock. The Company currently has 31,040,150 common shares issued and outstanding. The holders of common stock, and of shares issuable upon exercise of any Warrants or Options, are entitled to equal dividends and distributions, per share, with respect to the common stock when, as and if declared by the Board of Directors from funds legally available therefore. No holder of any shares of common stock has a pre-emptive right to subscribe for any securities of the Company nor are any common shares subject to redemption or convertible into other securities of the Company. Upon liquidation, dissolution or winding up of the Company, and after payment of creditors and preferred stockholders, if any, the assets will be divided pro-rata on a share-for-share basis among the holders of the shares of common stock. All shares of common stock now outstanding are fully paid, validly issued and non-assessable. Each share of common stock is entitled to one vote with respect to the election of any director or any other matter upon which shareholders are required or permitted to vote. Holders of the Company's common stock do not have cumulative voting rights, so that the holders of more than 50% of the combined shares voting for the election of directors may elect all of the directors, if they choose to do so and, in that event, the holders of the remaining shares will not be able to elect any members to the Board of Directors.

Healthcare acquired the Company from the sole owner, in exchange for 25,150,000 newly issued treasury shares of Healthcare's common stock.

On July 27, 2004, the Company cancelled 2,640,000 shares of common stock in exchange for right to the name "Winfield Financial Group, Inc." and the transfer of any contracts, agreements, rights or other intangible property owned by Winfield Financial Group, Inc. (WFLD) that relate to the business operations of WFLD prior to the change in control whether or not accounted for in WFLD's financial statements. These shares have been included as part of recapitalization on reverse acquisition of the Company.

The Company issued 1,000,000 shares to consultant as consideration for work done in recapitalization of the Company. These shares have been included as part of recapitalization on reverse acquisition of the Company.

On March 16, 2005, the Company issued 100,000 restricted Common Shares to a consultant valued at \$19,000 for business consulting and advisory services.

### **Class B Preferred Stock**

The Company's Articles of Incorporation (Articles") authorize the issuance of 50,000,000 shares of no par value Class B Preferred Stock. No shares of Preferred Stock are currently issued and outstanding. Under the Company's Articles, the Board of Directors has the power, without further action by the holders of the Common Stock, to designate the relative rights and preferences of the preferred stock, and issue the preferred stock in such one or more series as designated by the Board of Directors. The designation of rights and preferences could include preferences as to liquidation, redemption and conversion rights, voting rights, dividends or other preferences, any of which may be dilutive of the interest of the holders of the Common Stock or the Preferred Stock of any other series. The issuance of Preferred Stock may have the effect of delaying or preventing a change in control of the Company without further shareholder action and may adversely affect the rights and powers, including voting rights, of the holders of Common Stock. In certain circumstances, the issuance of preferred stock could depress the market price of the Common Stock.

**NOTE 10**

**COMMITMENTS AND CONTINGENCIES**

During 2005, the Company leased its corporate offices space in Upland, California, in Rhode Island and in Lincoln, Rhode Island under operating lease agreements. The Upland facility lease calls for a monthly rent of \$3,387 and the Lincoln facility calls for monthly rent of \$448. The Lincoln lease is for three years expiring in May 2008. The Upland facility's operating lease expire in November 2006 and have renewal options. Rent expense under operating leases for the six months ended June 30, 2005 was \$ 27,757.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$42,633
2007	5,376
2008	2,240

**NOTE 12**

**CONCENTRATIONS OF CREDIT RISK AND MAJOR CUSTOMERS**

The four major customers of the Company provided \$554,144 or 75% of the revenues of the Company for the six months ended June 30, 2005. The three major customers of the Company provided \$493,463 or 59% of the revenues of the Company for the six months ended June 30, 2004. There are no accounts receivable from any of the major customers as of June 30, 2005.

**NOTE 13**

**GOING CONCERN**

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the company as a going concern. The Company had a loss of \$278,487, a working capital deficiency of \$1,450,115, stockholders' deficiency of \$1,586,288, an accumulated deficit of \$2,174,096 and cash used in operations of \$709,495. In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying consolidated balance sheet is dependent upon continued operations of the company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management has taken the following steps to revise its operating and financial requirements, which it believes are sufficient to provide the Company with the ability to continue as a going concern. The Company is actively pursuing additional funding and seeking new clients for medical billings, which would enhance stockholders' investment. Management believes that the above actions will allow the Company to continue operations through the next fiscal year.

**NOTE 14**

**LITIGATION**

The Company is defendant and counter claimant in multiple lawsuits initiated by the clients of the Company. The complaints allege that the Company and its officers improperly withheld monies from the clients. The complaints allege, among others, claims for breach of contract and breach of fiduciary duty. The plaintiff seeks compensatory and punitive damages, prejudgment interest, costs and attorney fees. The parties have conducted discovery and permission to take additional discovery is being sought. The Company has accrued \$263,829 in the accompanying financials and has recorded them as a liability.

In November 2004, a law firm initiated action against the Company and its officers. The demand for arbitration alleges that the Company and its officer owes firm approximately \$79,000 in unpaid legal fees. In 2005, the parties agreed to settle all the claims in return for payment of \$30,000 from the Company. During the period, the Company paid \$30,000 to settle all the claims.

**NOTE 15**

**RELATED PARTY TRANSACTIONS**

During the period, the Company transferred the land and construction with historical cost of \$488,137 and the loan associated with the land worth \$250,000 with accrued interest of \$12,500 to the officer of the Company. The officer of the Company owes \$15,155 to the Company as a result of this transfer. The company booked a gain of \$261,863 on the transaction.





## **ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

This Report contains forward looking statements within the meaning of Section 27a of the Securities Act of 1933, as amended and Section 21e of the Securities and Exchange Act of 1934, as amended. The Company's actual results could differ materially from those set forth on the forward looking statements as a result of the risks set forth in the Company's filings with the Securities and Exchange Commission, general economic conditions, and changes in the assumptions used in making such forward looking statements.

### **OVERVIEW**

Winfield Financial Group, Inc. (the "Registrant") was incorporated in the State of Nevada on May 2, 2000. Prior to the Acquisition, discussed below, the Registrant was a business broker, primarily representing sellers and offering its clients' businesses for sale. As a result of the Acquisition, the Registrant changed its business focus.

On April 7, 2004, the Registrant filed Articles of Exchange with the State of Nevada to take effect on such date. Under the terms of the Articles of Exchange, the Registrant was to acquire Vanguard Commercial, Inc., a Nevada corporation ("Vanguard") whereby the Registrant was to issue 197,000 of its shares of Common Stock in exchange for all of the issued and outstanding Common Stock of Vanguard. Robert Burley, a former Director of the Registrant and the Registrant's former President, Chief Executive Officer and Treasurer is also an officer and director of Vanguard. Subsequent to the effective date of the exchange with Vanguard, the Registrant and Vanguard mutually agreed to rescind the transaction. The Registrant filed a Certificate of Correction with the State of Nevada rescinding the exchange with Vanguard, which never took place and the Registrant never issued any of its shares with respect thereto.

On April 22, 2004, the Registrant amended its Articles of Incorporation to increase the authorized shares to Fifty Million (50,000,000) shares of Common Stock, to reauthorize the par value of \$.001 per share of Common Stock and to reauthorize 5,000,000 shares of preferred stock with a par value of \$.001 per share of preferred stock.

On April 23, 2004, the Registrant acquired 100% of the issued and outstanding shares of Healthcare Business Services Groups, Inc., a Delaware corporation ("Healthcare"). As part of the same transaction on May 7, 2004, the Registrant acquired 100% of the issued and outstanding shares of AutoMed Software Corp., a Nevada corporation ("AutoMed"), and 100% of the membership interests of Silver Shadow Properties, LLC, a Nevada single member limited liability company ("Silver Shadow"). The transactions are collectively referred to herein as the "Acquisition." The Registrant acquired Healthcare, AutoMed, and Silver Shadow from Chandana Basu, the sole owner, in exchange for 25,150,000

newly issued treasury shares of the Registrant's Common Stock. The term "Company" shall include a reference to Winfield Financial Group, Inc., Healthcare, AutoMed and Silver Shadow unless otherwise stated. Healthcare, AutoMed and Silver Shadow are sometimes collectively referred to herein as "HBSGI."

On June 21, 2004, the Registrant entered into an agreement with Robert Burley (former Director, President and Chief Executive Officer of the Registrant) and Linda Burley (former Director and Secretary of the Registrant) whereby the Registrant agreed to transfer certain assets owned by the Registrant immediately prior to the change in control in consideration for Mr. and Mrs. Burley's cancellation of an aggregate of 2,640,000 of their shares of the Registrant's Common Stock. The Registrant transferred the following assets to Mr. and Mrs. Burley: i) the right to the name "Winfield Financial Group, Inc."; and ii) any contracts, agreements, rights or other intangible property that related to the Registrant's business operations immediately prior to the change in control whether or not such intangible property was accounted for in the Registrant's financial statements. After the issuance of shares to Ms. Basu and the cancellation of 2,640,000 shares of Mr. and Mrs. Burley, there were 28,774,650 shares of the Registrant's Common Stock outstanding. As a result of these transactions, control of the Registrant shifted to Ms. Basu. Ms. Basu currently owns 25,150,000 shares (or approximately 81.1%) out of 31,040,150 of the Registrant's issued and outstanding Common Stock.

On January 5, 2005, the Registrant changed its name to Healthcare Business Services Groups, Inc. The Registrant is a holding company for HBSGI. The business operations discussed herein are conducted by HBSGI. The Registrant, through HBSGI, is engaged in the business of providing medical billing services to healthcare providers in the United States.

The Company is a medical billing service provider that for over fourteen years has assisted various healthcare providers to successfully enhance their billing function. The Company has a diversified market base with operations in Providence, Rhode Island and Upland, California. The Company has developed a proprietary medical billing software system named AutoMed(TM). The Company has installed, and is currently ready to market and install, AutoMed(TM) at some of the Company's existing medical billing clients. The Company expects that after this software is launched, revenues will grow substantially over the next three to five years extending its billing model into the technology era. In addition, the Company made an investment in real estate which the Company had rezoned for development and construction of a surgical center. During the period, the Company transferred the real estate and construction with historical cost of \$488,137 and the loan associated with the real estate worth \$250,000 with accrued interest of \$12,500 to the officer of the Company. The real estate and construction has been valued at the fair market value for the purposes of transfer to the officer of the Company. The fair market value has been arrived based on the appraisal of the real estate amounting to \$750,000. The officer of the Company owes \$15,155 to the Company as a result of this transfer.

## **RESULTS OF OPERATIONS**

### **SIX MONTHS ENDED JUNE 30, 2005 COMPARED TO SIX MONTHS ENDED JUNE 30, 2004**

Revenue for the six months ended June 30, 2005 were \$726,830 compared to \$832,066 for the same period in 2004. The decrease in revenues was due to reduction in collections during the six months ended June 30, 2005 as compared to same period in 2004.

General & administrative ("G&A") expense for the six months ended June 30, 2005 was \$1,113,882 compared to \$2,283,976 for the same period in 2004. The decrease in G&A expenses in 2005 was due to reduction in costs incurred by the Company in marketing the company's business and costs associated with becoming a publicly traded company,

Depreciation and amortization was \$55,173 for the six months ended June 30, 2005 as compared to \$18,624 for the same period in 2004. The increase in depreciation and amortization expense was primarily due to an increase in amortization expense of software development costs of medical billings software.

Consulting fees were \$43,493 for the six months ended June 30, 2005 as compared to \$52,368 for the same period in 2004. The decrease in consulting fees was primarily due to less use of consultants.

Interest expense for the six months ended June 30, 2005 was \$52,232 compared to \$42,290 for the same period in 2004. This was due to the Company drawing on credit lines and signing new interest bearing promissory notes and interest charges.

Net loss was \$278,487 (or basic and diluted net loss per share of \$0.006) for the six months ended June 30, 2005 as compared to net loss of \$1,565,192 (or basic and diluted net loss earnings per share of \$0.057) for the same period in 2004. The decrease in net loss was due to decrease in operating expenses in 2005.

## LIQUIDITY AND CAPITAL RESOURCES

The Company had \$15,155 in current assets and a working capital deficiency of \$1,450,115 as of June 30, 2005. The Company had total assets of \$249,655 as of June 30, 2005, which consisted of \$78,830 of property and equipment, \$150,439 of intangible assets from the Company's website technology costs, and \$5,231 of deposits.

The Company had total current liabilities of \$1,465,270 as of June 30, 2005, consisting of accounts payable and accrued expenses of \$744,859, amount due to clients of \$157,953, contingent liabilities of \$263,829, line of credit of \$116,632, convertible note payable for services of \$250,000, and note payable to third parties of \$460,623.

The Company has two revolving lines of credit from two financial institutions for \$50,000 and \$75,000. The credit lines are unsecured and bear an annual interest rate of 10.75% and 16.24%, respectively. The credit lines are personally guaranteed by the CEO of the Company. The Company has borrowed \$44,170 and \$72,461 from the credit lines as of June 30, 2005.

The Company's convertible note payable for services was entered into in April 2004, in connection with financial advisory services and was due April 2005 unless the Company receives \$3,000,000 in funding at which time the note will be payable immediately. The note is in default and is immediately payable. The note bears interest at 4% per year and is unsecured. The note and accrued interest are convertible into the Company's Common Stock at 75% of the market price when converted.

Net cash used in operating activities was \$709,495 during the six months ended June 30, 2005, as compared to net cash provided by operating activities of \$ 138,058 during the same period in 2004.

Net cash used in investing activities was \$40,831 during the six months ended June 30, 2005, as compared to net cash used in investing activities of \$67,699 during the same period in 2004.

Net cash provided by financing activities was \$506,722 during the six months ended June 30, 2005, as compared to net cash provided by financing activities of \$208,566 for the same period in 2004.

In addition to its continued medical billing operation, the Company has planned to begin marketing AutoMed(TM). During the period, the Company transferred the real estate and construction with historical cost of \$488,137 and the loan associated with the real estate worth \$250,000 with accrued interest of \$12,500 to the officer of the Company. The real estate and construction has been valued at the fair market value for the purposes of transfer to the officer of the Company. The fair market value has been arrived based on the appraisal of the real estate amounting to \$750,000. The officer of the Company owes \$ 15,155 to the Company as a result of this transfer.

The Company believes that it can satisfy the current cash requirements for Medical Billing. It is imperative that we raise \$4 million to \$5 million of additional capital to fully implement our business plan with respect to AutoMed(TM). The Company intends to raise the additional capital in one or more private placements. The Company does not have any commitments or identified sources of additional capital from third parties or from its officers, directors or majority shareholders. There is no assurance that additional financing will be available on favorable terms, if at all. If the Company is unable to raise such additional financing, it would have a materially adverse effect upon the Company's ability to implement its business plan with respect to AutoMed(TM), and may cause the Company to curtail or scale back its current Medical Billing operations .

## **RISK FACTORS**

**NEED FOR ADDITIONAL FINANCING.** In addition to its continued medical billing operation, the Company has planned to begin marketing AutoMed. The Company believes that it can satisfy the current cash requirements for Medical Billing. The Company needs to raise \$4 million to \$5 million of additional financing to implement its business plan with respect to AutoMed(TM). The Company intends to raise the additional capital in one or more private placements. The Company does not have any commitments or identified sources of additional capital from third parties or from its officers, directors or majority shareholders. There is no assurance that additional financing will be available on favorable terms, if at all. If the Company is unable to raise such additional financing, it would have a materially adverse effect upon the Company's ability to implement its business plan with respect to AutoMed(TM), and may cause the Company to curtail or scale back its current Medical Billing operations.

**OUR AUDITORS HAVE EXPRESSED AN OPINION THAT THERE IS SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN.** Our auditors have expressed an opinion that there is substantial doubt about our ability to continue as a going concern. As of June 30, 2005 The Company had a loss of \$278,487, a working capital deficiency of \$1,450,115, stockholders' deficiency of \$1,586,288, an accumulated deficit of \$2,174,096 and cash used in operations of \$709,495. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The financial statements do not include any adjustments that might result from our inability to continue as a going concern. Our continuation as a going concern is dependent upon future events, including obtaining financing (discussed above) for expansion and to implement our business plan with respect to AutoMed(TM). If we are unable to continue as a going concern, you will lose your entire investment.

**HEALTHCARE PAYS SUBSTANTIAL COMPENSATION TO CHANDANA BASU.** Healthcare has paid Chandana Basu, its Chief Executive Officer, Vice President, Chief Operation Officer and Treasurer, compensation of \$270,000 for the six months ended June 30, 2005, consisting of a monthly salary and minimum monthly bonus of \$45,000. Ms. Basu received annual compensation of \$450,000 and \$540,770 for the fiscal years ended December 31, 2004 and 2003, respectively. Ms. Basu serves in these capacities pursuant to an employment agreement with Healthcare. Ms. Basu also serves as the Chief Executive Officer of the Registrant, the Chief Executive Officer and President of AutoMed, and the manager of Silver Shadow. The Company expects to continue to pay Ms. Basu such compensation or more for the foreseeable future. The amount of compensation that Ms. Basu receives relative to the Company's revenue and other expenses reduces the likelihood that the Company will make a profit.

**WE MAY NOT BE ABLE TO DEVELOP A MARKET FOR AUTOMED(TM) IN THE EVENT THAT WE DO COMPLETE DEVELOPMENT OF THE SOFTWARE.** The Company plans to charge \$50,000 per installation for a single user and one computer which we will lease for \$1,500 per month. The extent to which AutoMed(TM) gains acceptance, if any, will depend, in part, upon its cost effectiveness and performance as compared to conventional means of office management as well as known or unknown alternative software packages. If conventional means of office management or alternative software packages are more cost-effective or outperform AutoMed(TM), the demand

for AutoMed(TM) may be adversely affected. Failure of AutoMed(TM) to achieve and maintain meaningful levels of market acceptance would have a material adverse effect on the AutoMed(TM) line of business and the Company's overall business, financial condition and results of operations.



**RELIANCE ON KEY MANAGEMENT.** The success of the Company depends upon the personal efforts and abilities of the Company's Chief Executive Officer, Chandana Basu. The Company faces competition in retaining such personnel and in attracting new personnel should any of the foregoing chose to leave the Company. There is no assurance that the Company will be able to retain and/or continue to adequately motivate such personnel. The loss of any of these employees or the Company inability to continue to adequately motivate them could have a material adverse effect on the Company's business and operations.

**BECAUSE MS. CHANDANA BASU OWNS 81.1 PERCENT OF OUR OUTSTANDING COMMON STOCK, SHE WILL EXERCISE CONTROL OVER CORPORATE DECISIONS THAT MAY BE ADVERSE TO OTHER MINORITY SHAREHOLDERS.** Chandana Basu, a Director of the Company and the Company's Chief Executive Officer and Treasurer, owns approximately 81.1% of the issued and outstanding shares of our Common Stock. Accordingly, she will exercise control in determining the outcome of all corporate transactions or other matters, including mergers, consolidations and the sale of all or substantially all of our assets, and also the power to prevent or cause a change in control. The interests of Ms. Basu may differ from the interests of the other stockholders and thus result in corporate decisions that are adverse to other shareholders.

**IF THERE'S A MARKET FOR OUR COMMON STOCK, OUR STOCK PRICE MAY BE VOLATILE.** If there's a market for our Common Stock, we anticipate that such market would be subject to wide fluctuations in response to several factors, including, but not limited to:

(1)

actual or anticipated variations in our results of operations;

(2)

our ability or inability to generate new revenues;

(3)

conditions and trends in the medical billing industry.

Further, because our Common Stock is traded on the NASD over the counter bulletin board, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our Common Stock.

## **CRITICAL ACCOUNTING POLICIES**

Our discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principals generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of any contingent assets and liabilities. On an on-going basis, we evaluate our estimates. We base our estimates on various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

GOING CONCERN. As shown in the accompanying consolidated financial statements, the Company had a loss of \$278,487, a working capital deficiency of \$1,450,115, stockholders' deficiency of \$1,586,288, an accumulated deficit of \$2,174,096 and cash used in operations of \$709,495. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The Company's need for working capital is a key issue for management and necessary for the Company to meet its goals and objectives. The Company continues to meet its obligations and pursue additional capitalization opportunities. However, there is no assurance, that the Company will be successful in meeting its goals and objectives in the future.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

### **ITEM 3. - CONTROLS AND PROCEDURES**

(a) Evaluation of disclosure controls and procedures. Our chief executive officer and principal financial officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this quarterly report (the "Evaluation Date"), has concluded that as of the Evaluation Date, our disclosure controls and procedures were adequate and designed to ensure that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act of 1934 is 1) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms; and 2) accumulated and communicated to her as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting. There were no significant changes in our internal control over financial reporting during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **ITEM 1. - LEGAL PROCEEDINGS**

On September 20, 1999, Mohammad Tariq, MD was granted a default judgment in the District Court of Collin County, Texas, 380th Judicial District in the amount of \$280,835, plus prejudgment and post-judgment interest against

Healthcare Business Services Groups, Inc. As of the filing of this Report, Healthcare has not paid any money with respect to such default judgment. The default judgment relates to a contract for billing services between Healthcare and Dr. Tariq entered into in 1996. After termination of the contract, Dr. Tariq requested an accounting of the amounts collected from his patients by Healthcare in connection with the billing services. In July 1999, Healthcare sent an accounting to Dr. Tariq in the amount of \$275,355 collected, \$42,512 charged by Healthcare as its fee, and \$222,298 paid to Dr. Tariq. On September 22, 1999, Healthcare received notice of the default judgment. Although Healthcare has not taken legal steps to defend itself against the default judgment, Healthcare claims to have not received proper notice from Dr. Tariq of a civil action. To the best of Healthcare management's knowledge, Dr. Tariq has not sought to enforce the judgment as of the filing of this Report.

**ITEM 2. - CHANGES IN SECURITIES**

On March 16, 2005, the Company issued 100,000 restricted common shares valued at \$19,000 to a consultant for providing business and advisory services to the Company.

**ITEM 3. - DEFAULTS UPON SENIOR SECURITIES**

None.

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

None

**ITEM 5. - OTHER INFORMATION**

None

**ITEM 6. - EXHIBITS AND REPORTS ON FORM 8-K**

(a) Exhibits

<u>Exhibit No.*</u>	<u>Description</u>
31.1	Certificate of the Chief Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certificate of the Chief Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes- Oxley Act of 2002*

\* previously filed with the Form 10-QSB on August 15, 2005.

(b) Reports on Form 8-K

The Company filed no Reports on Form 8-K during the fiscal quarter ended June 30, 2005.

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Healthcare Business Services Group, Inc.

Dated: August 17, 2005

By: /s/ Chandana Basu

Chandana Basu,

Chief Executive Officer and

Principal Financial Officer