HEALTHCARE BUSINESS SERVICES GROUPS, INC.
Form 10QSB
August 20, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2007

[ ] 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.)

1105 Terminal way, Suite 220, Reno, NV 89502
(Address of principal executive offices)

(775) 348-5735
(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 July 23, 2007, 18,390,450 shares, $0.001 par value of the Company s common stock (Common Stock) of the issuer were outstanding.

Table of Contents

PART I FINANCIAL INFORMATION

HEALTHCARE BUSINESS SERVICES GROUPS INC.

CONSOLIDATED BALANCE SHEET

June 30, 2007

(Unaudited)

ASSETS	
ASSETS	$ -
LIABILITIES AND STOCKHOLDERS' DEFICIT	
LIABILITIES	
Net liabilities of discontinued operations	$ 5,256,770
COMMITMENTS & CONTINGENCIES	-
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 750,000,000, 50,340,450 shares issued and outstanding	50,340
Additional paid in capital	1,608,144
Shares to be issued	70,750
Accumulated deficit	(6,986,004)
Total stockholders' deficit	(5,256,770)
	$ -

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

HEALTHCARE BUSINESS SERVICES GROUPS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	For the three month periods June 30		For the six month periods ended June 30	
	2007	**2006**	**2007**	**2006**
Other income (expenses):				
Interest expense and financing cost	$ (79,200)	$ (11,369)	$ (106,699)	$ (29,124)
Change in fair value of derivative liability	4,658	-	328,110	-
Total other income (expenses)	(74,542)	(11,369)	221,411	(29,124)
Provision for income taxes	-	-	800	1,700
Loss from Discontinued Operations	(400,138)	(190,441)	(535,026)	(388,327)
Net loss	$ (474,680)	$ (201,810)	$ (314,415)	$ (419,151)
Loss per share:				
Basic & diluted net loss per share from discontinued operations	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Basic & diluted weighted average number of common stock outstanding	40,512,450	33,960,197	37,218,351	33,960,176

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

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

HEALTHCARE BUSINESS SERVICES GROUPS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the six month periods ended June 30	
	2007	**2006**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (314,415)	$ (419,151)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	48,313	58,681
Issuance of shares for service	114,660	12
Amortization of shares for issued for consulting	-	37,500
Shares to be issued for compensation	3,500	26,250
Change in fair value of derivative liability	(328,003)	-
(Increase) decrease in current assets:		
Receivables	-	4,458
Other assets	-	(49,182)
Increase in current liabilities:		
Accounts payable and accrued expenses	265,940	254,443
Litigation accrual	(116,000)	(55,000)
Accrued officer compensation	273,198	-
Net cash used in operations of discontinued activities	(52,807)	(141,989)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in investing activities of discontinued operations	(24,292)	-
		-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of notes payable	-	(62,874)
Proceeds from notes payable related party	80,000	-
Payment of line of credit	(2,901)	(11,074)
Net cash provided by (used in) financing activities of discontinued activities	77,099	(73,948)
NET (DECREASE) IN CASH & CASH EQUIVALENTS	-	(215,937)
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	-	303,123
CASH & CASH EQUIVALENTS, ENDING BALANCE	$ -	$ 87,186

Supplementary Information:

Cash paid during the year for:		
Interest paid	$ -	$ 5,122
Income taxes paid	$ -	$ 1,700

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

(A) Organization and Nature of Business

The Company was incorporated in the State of Nevada on May 2, 2000, as Winfield Capital Group, Inc. On June 6, 2001 , the Company filed a Certificate of Amendment to its Articles of Incorporation to affect a name change to "Winfield Financial Group, Inc." On April 23, 2004 , the Company acquired 100% of the equity interest of Healthcare Business Services Groups, Inc. ("Healthcare"). As part of the same transaction, the Company acquired 100% of the equity interest of AutoMed Software Corp. ("AutoMed") and Silver Shadow Properties, LLC ("Silver Shadow") on May 7, 2004 . Prior to the Acquisition (defined below), the Company was a business broker, primarily representing sellers and offering its clients' businesses for sale. As a result of the acquisition, the Company changed its business focus to medical billing. On January 7, 2005 , the Company filed a Certificate of Amendment to its Articles of Incorporation, with the Nevada Secretary of State and changed its name to "Healthcare Business Services Groups, Inc."

On April 23, 2004, the Company 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 Company 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 Company acquired Healthcare, AutoMed, and Silver Shadow from Chandana Basu, the sole owner, in exchange for 25,150,000 newly issued treasury shares of the Company's Common Stock. As a result of the Acquisition, the Company has changed its business focus. The term "Company" shall include a reference to Healthcare Business Services Groups, Inc. (the "Company").

The merger of the Company with Healthcare Business Services Groups Inc., has been 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.

Healthcare was a medical billing service provider that for over fifteen years had assisted various health care providers to successfully enhance their billing function.

On July 13, 2007 the Company s Board of Director approved a resolution to discontinue all of its billing effective June 30, 2007. The accompanying financial statements have been reclassified accordingly and presented as a discontinued operations. The Company s other three subsidiaries Silver Shadow, AutoMed and Alta Vista are dormant companies and are also reclassified as part of discontinued operations as of June 30, 2007. (See note 4 for details)

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 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 periods ended June 30, 2007 and 2006 include Healthcare Business Services Groups Inc. and the Company.

BASIS OF PRESENTATION

The unaudited consolidated financial statements have been prepared by Healthcare Business Services Groups Inc., (herein referred to as Healthcare or Company), in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-QSB and Regulation S-B as promulgated by the Securities and Exchange Commission (SEC). Accordingly, these consolidated financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto include on Form 10-KSB for the year ended December 31, 2006. In the opinion of management, the unaudited interim consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented. The results of the six month period ended June 30, 2007 are not necessarily indicative of the results to be expected for the full year ending December 31, 2007.

(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 and recognized on a net basis.

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.

<u>(D) Basic and diluted net loss per share</u>

Net loss per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), Earnings per share . Basic net loss per share is based upon the weighted average number of common shares outstanding. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. 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.

<u>(E) Reclassifications</u>

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

<u>(F) New Accounting Pronouncements</u>

In February 2007, FASB issued FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. FAS159 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted subject to specific requirements outlined in the new Statement. Therefore, calendar-year companies may be able to adopt FAS 159 for their first quarter 2007 financial statements.

The new Statement allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. FAS 159 also establishes presentation and disclosure requirements designed to draw comparison between entities that elect different measurement attributes for similar assets and liabilities. The management is currently evaluating the effect of this pronouncement on financial statements.

In September 2006, FASB issued SFAS 158 `Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans--an amendment of FASB Statements No. 87, 88, 106, and 132(R)' This Statement improves financial reporting by requiring an employer to recognize the over funded or under funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. An employer with publicly traded equity securities is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. An employer without publicly traded equity securities is required to recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after June 15, 2007. However, an employer without publicly traded equity securities is required to disclose the following information in the notes to financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007, unless it has applied the recognition provisions of this Statement in preparing those financial statements:

1.

A brief description of the provisions of this Statement

2.

The date that adoption is required

3.

The date the employer plans to adopt the recognition provisions of this Statement, if earlier.

The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The management is currently evaluating the effect of this pronouncement on the consolidated financial statements.

In September 2006, FASB issued SFAS 157 `Fair Value Measurements'. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The management is currently evaluating the effect of this pronouncement on the consolidated financial statements.

NOTE 2 STOCKHOLDERS' DEFICIENCY

Common Stock

The Company is presently authorized to issue 750,000,000 shares of $0.001 par value Common Stock. The Company currently has 33,960,450 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 is 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.

During the six months period ended June 30, 2007, the Company issued 16,380,000 restricted common shares to the following in consideration for services performed.

Shares issued to	**Number of shares**
Directors (2)	1,500,000
*Director and Husband	3,000,000
CEO and Director	3,000,000
*Ex-Employee, Son	1,000,000
*Ex-Employee, Daughters (2)	3,000,000
*Ex-Employee, Son in law	200,000
Ex-employees (8)	955,000

Contractors (6)	3,725,000
Total	16,380,000

* The above are in relationship to the CEO and Director of the Company.

The Company recorded 16,380,000 shares at the fair market value of $114,660 as compensation expense.

The Company also recorded $ 3,500 as officer compensation for 500,000 shares to be issued pursuant to the employment agreement. The officer is entitled to 1,000,000 shares every year pursuant to the employment agreement. The value of the stock is based on the market value at June 30, 2007.

Class B Preferred Stock

The Company s Articles of Incorporation (Articles) authorize the issuance of 5,000,000 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 3 COMMITMENTS

During the six month period ending June 30, 2007, the Company leased its corporate offices space in Upland, California under operating lease agreement. The facility lease calls for a monthly rent of $3,387. Rent expenses under operating leases for the six month periods ended June 30, 2007 and 2006 were $ 16,532 and $18,100. Rent expenses under operating leases for the three month periods ended June 30, 2007 and 2006 were $ 6,371 and $7,351.

The Company is on a month to month lease and vacated the leased premises as of June 30, 2007. Currently Company is operating thru a marketing company in Nevada for collection only and there are no on going billing operations.

NOTE 4 DISCONTINUED OPERATIONS

On July 13, 2007 the Company s Board of Director approved a resolution to discontinue all of its billing effective June 30, 2007. The accompanying financial statements have been reclassified accordingly and presented as a discontinued operations. The Company s other two subsidiaries Silver Shadow and AutoMed are dormant companies and are also reclassified as part of discontinued operations as of June 30, 2007.

Statement of operations information for the company for the three month and six month periods ended June 30, 2007 and 2006 are below:

	Three Month Periods Ended June 30,	
	2007	2006
Net Revenue	$ 259,630	$ 330,808
Operating expenses	(657,716)	(521,249)
Other expense	(74,542)	(11,369)
Net loss	(474,680)	(201,810)

	Six Month Periods Ended June 30,	
	2007	2006
Net Revenue	$ 544,064	$ 645,617
Operating expenses	(1,077,038)	(1,033,944)
Other income (expense)	221,411	(29,124)
Net loss	(314,415)	(419,151)

Balance Sheet information for the company as of June 30, 2007 is as follows:

	June 30, 2007
Assets:	
Property & equipment	56,113
Deposits	3,650
Total assets	59,763
Liabilities:	
Accounts payable	1,593,736
Accrued expenses	209,001
Due to officer	610,863
Loan/Notes payable	1,412,454
Note payable - related party	80,000
Derivative liability	1,410,479
Total liabilities	5,316,533
Net liabilities of discontinued operations	5,256,770

Property and equipment at June 30, 2007 consisted of the following:

Office and computer equipment	$ 135,317
Furniture and fixtures	103,807
	239,124
Less accumulated depreciation	(183,011)
	$ 56,113

Depreciation expense for the three months periods ended June 30, 2007 and 2006 was $4,864 and $6,454, respectively. Depreciation expense for the six months periods ended June 30, 2007 and 2006 was $9,335 and $13,524, respectively

Accounts payable, accrued expenses and litigation accrual consist of the following at June 30, 2007:

Trade payable	$ 813,888
Payable to clients	566,451
Accrued interest	134,719
Income tax payable	9,455
Accrued payroll	6,039
Accrued payroll tax	3,322
Accrued expenses	17,587
Accrued vacation and sick time	13,114
Payable for purchase of equipment	1,114
Other payable	28,047
Total accounts payable and accrued expenses	$ 1,593,736

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 had borrowed $18,065 and $ 75,452 from the credit lines as of June 30, 2007. These balances are included in the loan/notes payable balance.

Notes payable are summarized as follows:

	2007
Equipment loan: May 2003 due April 2008; payable in monthly installments of $1,030; annual interest of 14%; secured by equipment, currently in default	$ 18,938
Callable convertible secured note, due, currently in default	$ 1,300,000

The Company recorded interest expense of $ 79,200 and $ 11,369 for the three month periods ended June 30, 2007 and 2006 respectively. The Company recorded interest expense of $ 106,699 and $ 29,124 for the six month periods ended June 30, 2007 and 2006 respectively.

On June 27, 2006, the Company entered into a Securities Purchase Agreement (the Securities Purchase Agreement) with New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (collectively, the Investors). Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) $2,000,000 in callable convertible secured notes (the Notes) and (ii) warrants to purchase 50,000,000 shares of our common stock (the Warrants).

Pursuant to the Securities Purchase Agreement, the Investors purchased the Notes and Warrants in three trenches as set forth below:

1.

At closing, on July 1, 2006 (Closing), the Investors purchased Notes aggregating $700,000 and warrants to purchase 17,500,000 shares based on the prorate shares of our common stock;

2.

On August 8, 2006 the investors purchased Notes aggregating $600,000 and warrants to purchase 15,000,000 shares based on the prorate shares of our common stock and,

3.

Upon effectiveness of the Registration Statement, the Investors will purchase Notes aggregating $700,000. The Company has withdrawn the third trench as the Registration Statement was not effective to bring more funds into the Company.

The Notes carry an interest rate of 6% and a maturity date of June 27, 2009. The notes are convertible into our common shares at the Applicable Percentage of the average of the lowest three (3) trading prices for our shares of common stock during the twenty (20) trading day period prior to conversion. The Applicable Percentage means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing and (ii) 60% in the event that the Registration Statement becomes effective within one hundred and twenty days from the Closing.

The Company has an option to prepay the Notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the Notes and the market price is at or below $.05 per share. In addition, in the event that the average daily price of the common stock, as reported by the reporting service, for each day of the month ending on any determination date is below $.05, the Company may prepay a portion of the outstanding principal amount of the Notes equal to 101% of the principal amount hereof divided by thirty-six (36) plus one month s interest. Exercise of this option will stay all conversions for the following month. The full principal amount of the Notes is due upon default under the terms of Notes. In addition, the Company has granted the investors a security interest in substantially all of its assets and intellectual property as well as registration rights.

The Company simultaneously issued to the Investors seven year warrants to purchase 32,500,000 shares of common stock at an exercise price of $0.07.

The Investors have contractually agreed to restrict their ability to convert the Notes and exercise the Warrants and receive shares of the Company s common stock such that the number of shares of the Company s common stock held by them and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of the Company s common stock.

The company accrued interest of $97,500 on the note during the six month periods ended June 30, 2007.

The Company is in default of the note as its registration statement has not become effective as stipulated by the agreement. The note is immediately due and payable and has been shown as a current liability in the accompanying financials. The Company has accrued interest on the note at the default interest rate of 15%.

The Company computed the beneficial conversion liability of $ 1,300,000 and warrant liability of $ 110,479 based on Black Scholes model. These amounts have been reflected on the financials as derivative liability in amount of $ 1,410,479.

NOTE 5 LITIGATION

The Company is currently plaintiff to two and defendant to two law suits. The Company filed claims for non payment of fees by former clients due to clients diverted funds billed by company and did not pay Billing fees. The Company has accrued $ 209,000 in the accompanying financials statements.

1. On July 12, 2004, Nimish Shah, M.D. d/b/a New Horizon Medical, Inc. ("New Horizon") initiated a lawsuit against the Company in the Superior Court of California, County of Los Angeles, Case No. VC 042695, styled New Horizon Medical, Inc. v. HBSGI, et al. In connection with arbitration, the Company has claimed against New Horizon the compensatory damages in the amount of $75,000 (subject to amendment), prejudgment interest, costs and attorneys' fees in an unspecified amount. New Horizon has not submitted a cross-complaint against the Company for the breach of contract alleging that there is substantial discrepancy between the amounts of bills provided by New Horizon to the Company, for the purpose of securing payment from various insurance companies, and the funds actually received from the Company. This matter was dismissed by arbitrator for non payment of arbitrator's fee.

2 In January 2004, Claimant Leonard J. Soloniuk, MD initiated an arbitration against HBSGI with the American Arbitration Association, Case No. 72 193 00102 04 TMS, styled Leonard J. Soloniuk, MD v. HBSGI

In a decision dated April 5, 2006, the arbitrator awarded HBSGI nothing against Soloniuk. The arbitrator further awarded Soloniuk $ 275,000 against the HBSGI as well as interest accruing from June 1, 2006, at the rate of ten percent per annum on the unpaid balance. The arbitrator further ordered HBSGI to reimburse Soloniuk costs in the amount of $ 1,875. Company argues that of this $275,000, $210,000 was already paid to Soloniuk since November 4, 2002, last date of payment were considered by arbitrator and therefore the judgment should be reduced accordingly. The Company can provide no assurances that it will be successful in this argument.

3. Company recently filed new legal actions against Solonuik for fraud, deception, and intentional non disclosure of money received from HBSGI collection to the arbitration hearing to gain advantage. Company also filed an

application of injunction to prevent Solonuik to use HBSGI billing method. Hearing is set for May 10, 2007. Company is suing Solonuik for $750,000 plus cost of lawsuit.

4. 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 $280,835.10, plus prejudgment and post-judgment interest against Healthcare Business Services Group, Inc., d/b/a/ Peacock Healthcare. Kamran Ghadimi bought the Tariq judgment in April 28, 2006 and pursuing collection in California.

This matter was settled on November 8, 2006 for $185,000. The Company paid $140,000 out of $185,000 and making payments monthly for $3,000. As of filing this report company owes 15 months of payment equal to $45,000. Case was dismissed in 2007.

5. Healthcare filed a collection action against Frank Zondlo, and Zondlo also filed across-complaint against Healthcare. The matter is now in the discovery and law and motion stage.

From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. Other than the legal proceedings listed below, we are not currently involved in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. However, we may become involved in material legal proceedings in the future.

NOTE 6 RELATED PARTY TRANSACTIONS

The Company recorded $ 3,500 as officer compensation for 500,000 shares to be issued pursuant to the employment agreement. The officer is entitled to 1,000,000 shares every year pursuant to the employment agreement. The value of the stock is based on the market value at June 30, 2007.

As of May 1, 2007, the officer of the company loaned the Company $80,000 to pay operating expenses. This loan accrued interest at 9% per annum, unsecured and the term of the loan is one year. Monthly payment of $2,000 to be paid on or before the 15th of each month, and the default rate is 14% after ten days of the due date. The company accrued interest of $1,200 on the note during the six month periods ended June 30, 2007.

During the six months period ended June 30, 2007, the Company issued 16,380,000 restricted common shares to the following in consideration for services performed.

Shares issued to	**Number of shares**
Directors (2)	1,500,000
*Director and Husband	3,000,000
CEO and Director	3,000,000
*Ex-Employee, Son	1,000,000
*Ex-Employee, Daughters (2)	3,000,000
*Ex-Employee, Son in law	200,000
Ex-employees (8)	955,000
Contractors (6)	3,725,000
Total	16,380,000

* The above are in relationship to the CEO and Director of the Company.

The Company recorded 16,380,000 shares at the fair market value of $114,660 as compensation expense.

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 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 merged into unless otherwise stated referred to herein as HBSGI. Or Company

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.

Healthcare was a medical billing service provider that for over fifteen years had assisted various health care providers to successfully enhance their billing function.

On July 13, 2007 the Company s Board of Director approved a resolution to discontinue all of its billing effective June 30, 2007. The accompanying financial statements have been reclassified accordingly and presented as a discontinued operations. The Company s other three subsidiaries Silver Shadow, AutoMed and Alta Vista are dormant companies and are also reclassified as part of discontinued operations as of June 30, 2007.

RESULTS OF OPERATIONS

SIX MONTH PERIOD ENDED JUNE 30, 2007 COMPARED TO SIX MONTH PERIOD ENDED JUNE 30, 2006

	For the six month periods ended June 30	
	2007	**2006**
Other income (expenses):		
Interest expense and financing cost	$ (106,699)	$ (29,124)
Change in fair value of derivative liability	328,110	-
Total other income (expenses)	221,411	(29,124)
Provision for income taxes	800	1,700
Loss from Discontinued Operations	(535,026)	(388,327)

Net loss	$ (314,415)	$ (419,151)

In aggregate, the loss from discontinued operations increased for the six month period ending June 30, 2007 by $ 146,699 or 38% from $ 388,327 as compared to six month period ending June 30, 2006. The loss increased due to decrease in revenues generated and increase in expenses.

The interest expense and financing cost for the six month period ending June 30, 2007 increased by $ 77,575 or 267% as compared to six month period ending June 30, 2006. The increase is due to accrual of default interest on the convertible note.

The income due to change in fair value of derivative liability was $ 328,110 for the six month period ending June 30, 2007. There was no derivative liability for the six month period ending June 30, 2006. The derivative liability originated from the convertible note.

THREE MONTH PERIOD ENDED JUNE 30, 2007 COMPARED TO THREE MONTH PERIOD ENDED JUNE 30, 2006

	For the three month periods June 30	
	2007	**2006**
Other income (expenses):		
Interest expense and financing cost	$ (79,200)	$ (11,369)
Change in fair value of derivative liability	4,658	-
Total other income (expenses)	(74,542)	(11,369)
Loss from Discontinued Operations	(400,138)	(190,441)
Net loss	$ (474,680)	$ (201,810)

In aggregate, the loss from discontinued operations increased for the three month period ending June 30, 2007 by $ 209,697 or 100% from $ 190,441 as compared to three month period ending June 30, 2006. The loss increased due to decrease in revenues generated and increase in expenses.

The interest expense and financing cost for the three month period ending June 30, 2007 increased by $ 67,831 or 597% as compared to three month period ending June 30, 2006. The increase is due to accrual of default interest on the convertible note.

The income due to change in fair value of derivative liability was $ 4,658 for the three month period ending June 30, 2007. There was no derivative liability for the three month period ending June 30, 2006. The derivative liability originated from the convertible note.

LIQUIDITY AND CAPITAL RESOURCES

On July 13, 2007 the Company s Board of Director approved a resolution to discontinue all of its billing effective June 30, 2007. The accompanying financial statements have been reclassified accordingly and presented as a discontinued operations. The Company s other three subsidiaries Silver Shadow, AutoMed and Alta Vista are dormant companies and are also reclassified as part of discontinued operations as of June 30, 2007.

The Company carries no assets.

The net liabilities of discontinued operations amount to $ 5,256,770 which comprises of the following:

	June 30, 2007
Assets:	
Property & equipment	$ 56,113
Deposits	3,650
Total assets	59,763
Liabilities:	
Accounts payable	$ 1,593,736
Accrued expenses	819,863
Loan/Notes payable	1,412,454
Note payable - related party	80,000
Derivative liability	1,410,479
Total liabilities	$ 5,316,533
Net liabilities of discontinued operations	$ 5,256,770

Net cash used in discontinued operations was $ 52,807 for the six month period ended June 30, 2007, as compared to net cash used in discontinued operations of $ 141,989 during the same period in 2006.

Net cash used in investing activity of discontinued operations for the six month period ended June 30, 2007 was $24,292 as compared to no net cash used in investing activities during the same period in 2006.

Net cash provided by financing activities of discontinued operations was $ 77,099 for the six month period ended June 30, 2007, as compared to net cash used in financing activities of discontinued operations of $ 73,948 for the same period in 2006.

On June 27, 2006, the Company entered into a Securities Purchase Agreement (the Securities Purchase Agreement) with New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (collectively, the Investors). Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) $2,000,000 in callable convertible secured notes (the Notes) and (ii) warrants to purchase 50,000,000 shares of our common stock (the Warrants).

Pursuant to the Securities Purchase Agreement, the Investors purchased the Notes and Warrants in three trenches as set forth below:

1.

At closing, on July 1, 2006 (Closing), the Investors purchased Notes aggregating $700,000 and warrants to purchase 17,500,000 shares based on the prorate shares of our common stock;

2.

On August 8, 2006 the investors purchased Notes aggregating $600,000 and warrants to puchase 15,000,000 shares based on the prorate shares of our common stock and,

3.

Upon effectiveness of the Registration Statement, the Investors will purchase Notes aggregating $700,000. The Company has withdrawn the third trench as the Registration Statement was not effective to bring more funds into the Company.

The Notes carry an interest rate of 6% and a maturity date of June 27, 2009. The notes are convertible into our common shares at the Applicable Percentage of the average of the lowest three (3) trading prices for our shares of common stock during the twenty (20) trading day period prior to conversion. The Applicable Percentage means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing and (ii) 60% in the event that the Registration Statement becomes effective within one hundred and twenty days from the Closing.

The Company has an option to prepay the Notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the Notes and the market price is at or below $.05 per share. In addition, in the event that the average daily price of the common stock, as reported by the reporting service, for each day of the month ending on any determination date is below $.05, the Company may prepay a portion of the outstanding principal amount of the Notes equal to 101% of the principal amount hereof divided by thirty-six (36) plus one month s interest. Exercise of this option will stay all conversions for the following month. The full principal amount of the Notes is due upon default under the terms of Notes. In addition, the Company has granted the investors a security interest in substantially all of its assets and intellectual property as well as registration rights.

The Company simultaneously issued to the Investors seven year warrants to purchase 32,500,000 shares of common stock at an exercise price of $0.07.

The Investors have contractually agreed to restrict their ability to convert the Notes and exercise the Warrants and receive shares of the Company s common stock such that the number of shares of the Company s common stock held by them and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of the Company s common stock.

The company accrued interest of $97,500 on the note during the six month periods ended June 30, 2007.

The Company is in default of the note as its registration statement has not become effective as stipulated by the agreement. The note is immediately due and payable and has been shown as a current liability in the accompanying financials. The Company has accrued interest on the note at the default interest rate of 15%.

The Company computed the beneficial conversion liability of $ 1,300,000 and warrant liability of $ 110,479 based on Black Scholes model. These amounts have been reflected on the financials as derivative liability in amount of $ 1,410,479.

FACTORS THAT MAY AFFECT FUTURE RESULTS

We currently have no operating business.

We currently have no relevant operating business, revenues from operations or assets.

WE PAY A SUBSTANTIAL SALARY TO OUR CHIEF EXECUTIVE OFFICER AND TREASURER.

Chandana Basu, our Chief Executive Officer and Treasurer, receives a substantial amount of $50,000 per month (or $600,000 per year) for her services, which includes approximately $5,000 of salary and a minimum bonus of $45,000 each month (accrues if not paid). The amount of salary that Ms. Basu receives relative to the Company's revenue and other expenses reduces the likelihood that the Company will make a profit, and increases the possibility that the Company be forced to curtail or abandon its business plan in the future if the Company fails to raise additional capital.

WE RELY ON KEY MANAGEMENT.

The success of the Company depends upon the personal efforts and abilities of Chandana Basu. The Company faces competition in retaining Ms. Basu and in attracting new personnel should Ms. Basu chose to leave the Company. There is no assurance that the Company will be able to retain and/or continue to adequately motivate Ms. Basu in the future. The loss of Ms. Basu or the Company's inability to continue to adequately motivate her could have a material adverse effect on the Company's business and operations.

BECAUSE MS. CHANDANA BASU OWNS 81.1% 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)

increased competition; and

(4)

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.

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

(A) 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.

(B) Cash and Cash Equivalents

For purposes of the cash flow statements, the Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

(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 and recognized on a net basis.

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) Property and Equipment

Property and equipment is stated at cost. Additions are capitalized and maintenance and repairs are charged to expense as incurred. Gains and losses on dispositions of equipment are reflected in operations. Depreciation is provided using the straight-line method over the estimated useful life of the assets from three to seven years. Expenditures for maintenance and repairs are charged to expense as incurred.

(E) Software development Costs

The Company complied with Statement of Position 98-1 ("SOP 98-1") "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", as accounting policy for internally developed computer software costs. Under SOP 98-1, we capitalized software development costs incurred during the application development stage.

Subsequently, the Company decided to market the software AutoMed. Therefore the Company is following the guideline under SFAS 86. SFAS 86 specifies that costs incurred internally in creating a computer software product shall be charged to expense when incurred as research and development until technological feasibility has been established for the product. Thereafter, all software production costs shall be capitalized and subsequently reported at the lower of unamortized cost or net realizable value.

Capitalized costs is being amortized based on current and future revenue for the product (AutoMed) with an annual minimum equal to the straight-line amortization over the remaining estimated economic life of the product.

(F) 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.

(G) 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 December 31, 2006, 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.

(H) Basic and diluted net loss per share

Net loss per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), Earnings per share . Basic net loss per share is based upon the weighted average number of common shares outstanding. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. 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.

(I) 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.

(J) 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.

(K) 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.

(L) 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.

(M) Reclassifications

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

(N) New Accounting Pronouncements

In February 2007, FASB issued FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. FAS159 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted subject to specific requirements outlined in the new Statement. Therefore, calendar-year companies may be able to adopt FAS 159 for their first quarter 2007 financial statements.

The new Statement allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. FAS 159 also establishes presentation and disclosure requirements designed to draw comparison between entities that elect different measurement attributes for similar assets and liabilities. The management is currently evaluating the effect of this pronouncement on financial statements.

In September 2006, FASB issued SFAS 158 `Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans--an amendment of FASB Statements No. 87, 88, 106, and 132(R)' This Statement improves financial reporting by requiring an employer to recognize the over funded or under funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. An employer with publicly traded equity securities is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. An employer without publicly traded equity securities is required to recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after June 15, 2007. However, an employer without publicly traded equity securities is required to disclose the following information in the notes to financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007, unless it has applied the recognition provisions of this Statement in preparing those financial statements:

1.

A brief description of the provisions of this Statement

2.

The date that adoption is required

3.

The date the employer plans to adopt the recognition provisions of this Statement, if earlier.

The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective forfiscal years ending after December 15, 2008. The management is currently evaluating the effect of this pronouncement on the consolidated financial statements. In September 2006, FASB issued SFAS 157 `Fair Value Measurements'. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. This Statement applies under other

accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The management is currently evaluating the effect of this pronouncement on the consolidated 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 effective 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

The Company is currently plaintiff to two and defendant to two law suits. The Company filed claims for non payment of fees by former clients due to clients diverted funds billed by company and did not pay Billing fees. The Company has accrued $ 209,000 in the accompanying financials statements.

1. On July 12, 2004, Nimish Shah, M.D. d/b/a New Horizon Medical, Inc. ("New Horizon") initiated a lawsuit against the Company in the Superior Court of California, County of Los Angeles, Case No. VC 042695, styled New Horizon Medical, Inc. v. HBSGI, et al. In connection with arbitration, the Company has claimed against New Horizon the compensatory damages in the amount of $75,000 (subject to amendment), prejudgment interest, costs and attorneys' fees in an unspecified amount. New Horizon has not submitted a cross-complaint against the Company for the breach of contract alleging that there is substantial discrepancy between the amounts of bills provided by New Horizon to the Company, for the purpose of securing payment from various insurance companies, and the funds actually received from the Company. This matter was dismissed by arbitrator for non payment of arbitrator's fee.

2 In January 2004, Claimant Leonard J. Soloniuk, MD initiated an arbitration against HBSGI with the American Arbitration Association, Case No. 72 193 00102 04 TMS, styled Leonard J. Soloniuk, MD v. HBSGI

In a decision dated April 5, 2006, the arbitrator awarded HBSGI nothing against Soloniuk. The arbitrator further awarded Soloniuk $ 275,000 against the HBSGI as well as interest accruing from June 1, 2006, at the rate of ten percent per annum on the unpaid balance. The arbitrator further ordered HBSGI to reimburse Soloniuk costs in the amount of $ 1,875. Company argues that of this $275,000, $210,000 was already paid to Soloniuk since November 4, 2002, last date of payment were considered by arbitrator and therefore the judgment should be reduced accordingly. The Company can provide no assurances that it will be successful in this argument.

3. Company recently filed new legal actions against Solonuik for fraud, deception, and intentional non disclosure of money received from HBSGI collection to the arbitration hearing to gain advantage. Company also filed an application of injunction to prevent Solonuik to use HBSGI billing method. Hearing is set for May 10, 2007. Company is suing Solonuik for $750,000 plus cost of lawsuit.

4. 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 $280,835.10, plus prejudgment and post-judgment interest against Healthcare Business Services Group, Inc., d/b/a/ Peacock Healthcare. Kamran Ghadimi bought the Tariq judgment in April 28, 2006 and pursuing collection in California.

This matter was settled on November 8, 2006 for $185,000. The Company paid $140,000 out of $185,000 and making payments monthly for $3,000. As of filing this report company owes 15 months of payment equal to $45,000. Case was dismissed in 2007.

5. Healthcare filed a collection action against Frank Zondlo, and Zondlo also filed across-complaint against Healthcare. The matter is now in the discovery and law and motion stage.

From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. Other than the legal proceedings listed below, we are not currently involved in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. However, we may become involved in material legal proceedings in the future.

ITEM 2. CHANGES IN SECURITIES

The Company is presently authorized to issue 750,000,000 shares of $0.001 par value Common Stock. The Company currently has 33,960,450 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 is 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.

During the six months period ended June 30, 2007, the Company issued 16,380,000 restricted common shares to the following in consideration for services performed.

Shares issued to	**Number of shares**
Directors (1)	1,000,000
*Director and EX Husband	3,000,000
CEO and Director	3,000,000
*Ex-Employee, Son	1,000,000
*Ex-Employee, Daughters (2)	3,000,000
*Ex-Employee, Son in law	200,000
Ex-employees (8)	955,000
Contractors (7)	4,2725,000
Total	16,380,000

* The above are in relationship to the CEO and Director of the Company.

The Company recorded 16,380,000 shares at the fair market value of $114,660 as compensation expense.

The Company also recorded $ 3,500 as officer compensation for 500,000 shares to be issued pursuant to the employment agreement. The officer is entitled to 1,000,000 shares every year pursuant to the employment agreement. The value of the stock is based on the market value at June 30, 2007.

ITEM 3. RELATED PARTY TRANSACTIONS

The Company recorded $ 3,500 as officer compensation for 500,000 shares to be issued pursuant to the employment agreement. The officer is entitled to 1,000,000 shares every year pursuant to the employment agreement. The value of the stock is based on the market value at June 30, 2007.

As of May 1, 2007, the officer of the company loaned the Company $80,000 to pay operating expenses. This loan accrued interest at 9% per annum, unsecured and the term of the loan is one year. Monthly payment of $2,000 to be paid on or before the 15th of each month, and the default rate is 14% after ten days of the due date. The company accrued interest of $1,200 on the note during the six month periods ended June 30, 2007.

During the six months period ended June 30, 2007, the Company issued 16,380,000 restricted common shares to the following in consideration for services performed.

Shares issued to	**Number of shares**
Directors (1)	1,500,000
*Director and Ex Husband	3,000,000
CEO and Director	3,000,000
*Ex-Employee, Son	1,000,000
*Ex-Employee, Daughters (2)	3,000,000
*Ex-Employee, Son in law	200,000
Ex-employees (8)	955,000
Contractors (7)	4,2725,000
Total	16,380,000

* The above are in relationship to the CEO and Director of the Company.

The Company recorded 16,380,000 shares at the fair market value of $114,660 as compensation expense.

ITEM 4. MANAGEMENT DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information about our executive officers and directors.

Name	Age	Position
Chandana Basu	53	Chief Executive Officer, Treasurer and Director
Arjinderpal Singh Sekhon, M.D.	58	Director
Abhijit Bhattacharya	59	Director

The above listed officers and directors will serve until the next annual meeting of the shareholders or until their death, resignation, retirement, removal, or disqualification, or until their successors have been duly elected and qualified. Vacancies in the existing Board of Directors are filled by majority vote of the remaining Directors. Officers of the Company serve at the will of the Board of Directors .To the Company s knowledge, there are no agreements or understandings for any officer or director to resign at the request of another person nor is any officer or director acting on behalf of or is to act at the direction of any other person other than in his fiduciary capacity of and for the benefit of the Company and at its direction.

Set forth below is certain biographical information regarding our executive officers and directors:

Chandana Basu - Chief Executive Officer, Treasurer and Director

Chandana Basu has served as our Chief Executive Officer and Treasurer since May 2004, after we acquired Healthcare Business Services Group, Inc. (HBSGI), a full-service medical billing agency and our wholly-owned subsidiary. She has served as our director since November 12, 2004. Ms. Basu incorporated HBSGI in December 1994. Ms. Basu has operated HBSGI for the past 14 years. Ms. Basu has been grown HBSGI from a core client base of doctors and hospitals in California, Florida, Washington State and Texas without the use of consistent marketing or advertising. Ms. Basu has over 14 years of experience in medical bill collecting from insurance companies. Ms. Basu also has over 14 years of experience in computer design and programming. Ms. Basu is the CEO and President of AutoMed Software Corp. and the Manager of Silver Shadow Properties, LLC, both of our wholly-owned subsidiaries. Ms. Basu received a Bachelors Degree with majors in Math, Physics and Chemistry from Bethune College in 1975. She attended the Computer Learning Center during 1978. She also received specialized education in medical billing, anesthesia billing and attended various pain management conferences. Ms. Basu is a Technical Exhibitor for the American Association of Anesthesiology.

Arjinder Paul Singh Sekhon, M.D. - Director

Sing Sekhon is self-employed doctor with a specialty in pulmonary medicine. He has been a member of the United States Army Reserve for over 20 years. He has served in the Persian Gulf War and in the current military operation enduring freedom. He received Army's highest honor upon graduation from the United States Army College recently. During the past congressional election cycles, he has been a candidate for the U.S. House of Representatives. Lastly, he has served as a Director of local medical clinic for the past few years.

Abhijit Bhattacharya - Director

Abhijit Bhattacharya has been affiliated with our Company for over twelve years. In particular, he has connected the Company with several clients, has directed our marketing program, and has promoted our business at various medical conferences throughout the country. Most recently, he has been officially appointed Vice President and is responsible for building new relationships with clients.

ITEM 5. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 6. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 7. OTHER INFORMATION

None

ITEM 8. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit No.*	Description
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*

* Filed Herein.

(b) Reports on Form 8-K

The Company filed no Reports on Form 8-K during the fiscal quarter ended June 30, 2007.

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 16, 2007

By: /s/ Chandana Basu

Chandana Basu,

Chief Executive Officer and

Principal Financial Officer