

HEALTHCARE BUSINESS SERVICES GROUPS, INC.
Form 10QSB
November 17, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT

73,315

15,449

116,808

1,031,236

Total operating expenses

534,704

486,593

1,747,252

	2,841,561
Loss from Operations	
	(153,922)
	(48,541)
	(639,640)
	(1,571,443)
Non-operating expense:	
Gain on sale of land	
	-
	-
	261,863
	-
Gain on settlement of debt	

For the quarterly period ended September 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 (IRS Employer Identification No.)
incorporation or organization)

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 No

As of November 15, 2005, 32,589,650 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.

	26,082
	-
	26,082
	-
Interest (expense) income	(5,769)

2

	8,787
	(58,001)
	(33,503)
Other Income	-
	-
	-
	-
Loss before income taxes	

(153,922)

(39,754)

(435,778)

(1,604,946)

Provision for income taxes

-

800

2,400

800

Net loss

\$

(153,922)

\$

(40,554)

\$

7

(438,178)

\$

(1,605,746)

Basic & diluted net loss per share

\$

(0.005)

\$

(0.001)

\$

(0.014)

\$

(0.078)

Basic & diluted weighted average number of

common stock outstanding

31,423,007

29,803,346

31,141,032

* 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)

For the nine month periods ended
September 30

2005

2004

CASH FLOWS FROM OPERATING ACTIVITIES:

HEALTHCARE BUSINESS SERVICES GROUPS INC.

(formerly Winfield Financial Group, Inc.)

CONSOLIDATED BALANCE SHEET

September 30, 2005

(UNAUDITED)

ASSETS

Net loss	\$ (438,178)	\$ (1,605,747)
Adjustments to reconcile net loss to net cash		
		\$ 55,742

**CASH & CASH
EQUIVALENTS**used in operating
activities:

Depreciation and amortization	81,520	46,741		
			Issuance of shares for service	46,889 1,010,000
Issuance of note payable for service	-	250,000		
Issuance of shares for compensation	-	-		
			Gain on settlement of debt	26,082 -
Gain on sale of land	(261,863)	-		
(Increase) decrease in current assets:				
Receivables	-	78,306		
Other assets	(611)	(391)		
Increase in current liabilities:				
Accounts payable and accrued expenses	50,258	115,704		
Net cash used in operating activities	(495,904)	(105,387)		

**CASH FLOWS FROM
INVESTING ACTIVITIES**

Acquisition of property & equipment	(40,830)	(67,699)		
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**CASH FLOWS FROM
FINANCING ACTIVITIES:**

	337,259	193,000		
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Proceeds from notes payable		
Proceeds from notes payable - officer	-	95,505
Proceeds from issuance of shares for cash	5,000	-
Payment of notes payable	(10,500)	(119,665)
Proceeds on line of credit	17,113	1,751
Payments of line of credit	-	(314)
Net cash provided by financing activities	348,872	170,277
NET DECREASE IN CASH & CASH EQUIVALENTS	(187,862)	(2,809)
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	243,604	2,809
CASH & CASH EQUIVALENTS, ENDING BALANCE	\$ 55,742	\$ -
Supplementary Information:		
PROPERTY AND EQUIPMENT, net		71,288
INTANGIBLE ASSET, net		
Website technology costs, net		131,632
DEPOSITS		4,946
Total Assets		\$ 263,607

Cash paid during the
year for:

Interest	\$	15,886	\$	5,481
Income taxes	\$	-	\$	-

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

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES

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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, counts payable and accrued expenses

\$

885,156

Litigation Accrual

225,747

Accrued officer compensation

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 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 nine months period ended September 30, 2005 include Healthcare Business Services Groups Inc. and the Company, while the historical results for the nine month periods ended September 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 nine months period ended September 30, 2005 include Healthcare Business Services Groups Inc. and the Company, while the historical results for the nine month periods ended September 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:

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117,448

Current portion of notes payable

92,419

Convertible note payable for services

89,500

Total current liabilities

1,461,660

NOTES PAYABLE

365,037

COMMITMENTS & CONTINGENCIES

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

STOCKHOLDERS' DEFICIT

(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 September 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 tralspan="2">

Preferred stock, \$0.001 par value;

Authorized shares 5,000,000,

none issued and outstanding

nsition 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 o

Common stock, \$0.001 par value;

Authorized shares 50,000,000,

32,460,150 shares issued and outstanding

	32,460
Additional paid in capital	
	700,598
Shares to be issued	
	150,000
Prepaid expenses	
	(112,361)
Accumulated deficit	
	(2,333,787)
Total stockholders' deficit	
	(1,563,091)
Total Liabilities and stockholders' Deficit	
	\$
	263,607
	22

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 m
Septeml

2005

(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 superceded 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.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." This statement applies to all voluntary changes in accounting principle and requires retrospective application to prior periods' financial statements of changes in accounting principle, unless this would be impracticable. This statement also makes a distinction between "retrospective application" of an accounting principle and the "restatement" of financial statements to reflect the correction of an error. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company is evaluating the effect the adoption of this interpretation will have on its financial position, cash flows and results of operations.

In June 2005, the EITF reached consensus on Issue No. 05-6, Determining the Amortization Period for Leasehold Improvements ("EITF 05-6.") EITF 05-6 provides guidance on

d e t e r m i n i n g t h e amortization period for leasehold improvements acquired in a business combination or acquired subsequent to lease inception. The guidance in EITF 05-6 will be applied prospectively and is effective for periods beginning after June 29, 2005. EITF 05-6 is not expected to have a material effect on its consolidated financial position or results of operations.

(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 nine months ended September 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.

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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 w h o o w n e d 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 additional issuances, the sole owner currently owns 25,750,000 shares out of 32,460,150 shares of common stock of W i n f i e l d (o r approximately 79%).

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NOTE 3

**PROPERTY
AND EQUIPMENT**

Property and equipment at September 30, 2005 consisted of the

following:

Office and computer equipment
Furniture and fixtures

Less accumulated depreciation

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 nine months ended September 30, 2005 and 2004 was \$ 25,103 and \$ 27,936, 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 \$56,417 in the accompanying financial statements at September 30, 2005. The balance at September 30, 2005 amounts to \$131,632.

The following is the amortization schedule for next five years:

2005

\$12,538

2006

50,152

2007

50,152

2008

18,790

Total

\$131,632

NOTE 5

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Accounts payable

Trade
payable

Net revenues

Operating expenses

Accrued
interest

Income
tax payable

Accrued
payroll liabilities

Accrued
vacation and sick
time

Equipment
payable

Payable to
clients

Credit
cards payable

Total
accounts payable
and accrued
expenses

NOTE 6

LINE OF

The Company has
institutions for \$5
bear an annual in
credit lines are per

Total operating expenses	534,704
Loss from Operations	(153,922)

Interest (expense) income	(5,769)
---------------------------------	---------

Other Income	-
-----------------	---

Loss before income taxes	(153,922)
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Provision for income taxes	-
-------------------------------------	---

Net
loss

(153,922)

\$

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 was due in April 2005 unless Healthcare received \$3,000,000 in funding at which time the note was 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.

During the period, the Company entered into a settlement agreement for the payment of the note by authorizing the payment of \$ 100,000 in cash and issuance of 1,500,000 restricted shares of the Company. The Company paid \$ 10,500 in cash during the period. The shares have not been issued as of September 30, 2005. The Company valued the shares based on the market value of the shares on agreement date. These shares have been shown on the financials as shares to be issued as of September 30, 2005. The Company recorded gain of \$ 26,082 on settlement of the note.

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 32,460,150 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.

During the period, the Company issued

905,000 restricted Common Shares to various consultants valued at \$117,250 for business consulting and advisory services. The Company has expensed \$ 46,889 and has recorded the prepaid consulting expenses of \$ 70,361 based on the term of the consulting agreements. The prepaid consulting expenses will be amortized over the term of the consulting contracts.

During the period, the Company issued 600,000 to the officer of the Company pursuant to her employment agreement valued at \$ 42,000. This has been recorded as prepaid expense in these financial statements as the shares vest on October 3, 2005

During the period, the Company issued 15,000 shares for cash amounting to \$ 5,000.

During the period, the Company entered into a settlement agreement for the payment of the note by authorizing the payment of \$ 100,000

in cash and issuance of 1,500,000 restricted shares of the Company. The Company paid \$ 10,500 in cash during the period. The shares have not issued as of September 30, 2005. The Company valued the shares based on the market value of the shares on agreement date. These shares have been shown on the financials as shares to be issued as of September 30, 2005.

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 nine months ended September 30, 2005 was \$41,467.

Future minimum lease payments are as follows:

Year

Amount

1
\$42,633

2
5,376

3
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 nine months ended September 30, 2005. The three major customers of the Company provided \$ 493,463 or 59% of the revenues of the Company for the nine months ended September 30, 2004. There are no accounts receivable from any of the major customers as of September 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 \$ 438,178, a working capital deficiency of \$ 1,405,918, stockholders' deficiency of \$ 1,563,091, an accumulated deficit of \$2,333,787 and cash used in operations of \$ 495,904. "

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

a d d i t i o n a l
f u n d i n g a n d
s e e k i n g n e w
c l i e n t s f o r
m e d i c a l
b i l l i n g s , w h i c h
w o u l d e n h a n c e
s t o c k h o l d e r s '
i n v e s t m e n t .

M a n a g e m e n t
b e l i e v e s t h a t
t h e a b o v e
a c t i o n s w i l l
a l l o w t h e
C o m p a n y t o
c o n t i n u e
o p e r a t i o n s
t h r o u g h t h e
n e x t f i s c a l
y e a r .

NOTE 14

LITIGATION

The Company is defendant 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
\$225,747 in the
accompanying
financials and
has recorded
them as a
liability.

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into the settlement
48,082 in the finan
22,000. The Comp
financials. The Co
September 30, 200

In November 200
its officers. The d
officer owes firm a
parties agreed to
from the Compan
settle all the claims

NOTE 15

RELATED PART

During the period
with historical co
worth \$ 250,000
Company. The off
a result of this tra
transaction.

**Basic
&**

\$ (0.005)

During the period,
\$

**diluted
net
loss
per
share**

**Basic & diluted weighted
average number of
common
stock
outstanding**

31,423,007

During the period, the Company issued 75,000 restricted Common Shares to consultants related to the officer of the Company valued at \$11,250 for business consulting and advisory services.

**I T E M 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 unless otherwise stated.

Healthcare, AutoMed and Silver Shadow are sometimes collectively referred to herein as "HBSGL."

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

t o t h e n a m e
"Winfield Financial
Group, Inc."; and ii)
a n y c o n t r a c t s ,
a g r e e m e n t s , r i g h t s
o r o t h e r i n t a n g i b l e
p r o p e r t y t h a t r e l a t e d
t o t h e R e g i s t r a n t ' s
b u s i n e s s o p e r a t i o n s
i m m e d i a t e l y p r i o r t o
t h e c h a n g e i n
c o n t r o l w h e t h e r o r
n o t s u c h i n t a n g i b l e
p r o p e r t y w a s
a c c o u n t e d f o r i n t h e
R e g i s t r a n t ' s
f i n a n c i a l s t a t e m e n t s .

A f t e r t h e i s s u a n c e
o f s h a r e s t o M s .
B a s u a n d t h e
c a n c e l l a t i o n o f
2,640,000 shares of
M r . a n d M r s .
B u r l e y , t h e r e w e r e
28,774,650 shares of
t h e R e g i s t r a n t ' s
C o m m o n S t o c k
o u t s t a n d i n g . A s a
r e s u l t o f t h e s e
t r a n s a c t i o n s , c o n t r o l
o f t h e R e g i s t r a n t
s h i f t e d t o M s . B a s u .

M s . B a s u c u r r e n t l y
o w n s 25,150,000
s h a r e s (o r
a p p r o x i m a t e l y
81.1%) o u t o f
31,040,150 o f t h e
R e g i s t r a n t ' s i s s u e d
a n d o u t s t a n d i n g
C o m m o n S t o c k .

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.

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2004

Revenue for the nine months ended September 30, 2005 were \$1,107,612 compared to \$1,270,118 for the same period in 2004.

The decrease in revenues was due to reduction in collections during the nine months ended September 30, 2005 as compared to same period in 2004.

General & administrative ("G&A") expense for the nine months ended September 30, 2005 was \$ 1,548,924

compared to \$ 1,763,584 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 \$81,520 for the nine months ended September 30, 2005 as compared to \$46,741 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 \$116,808 for the nine months ended September 30, 2005 as compared to \$1,031,236 for the same period in 2004.

The decrease in consulting fees was

primarily due to less
use of consultants.

Interest expense
\$58,001 compared
to the Company d
promissory notes a

Net loss was \$438
for the nine month
\$1,605,746 (or bas
the same period in
operating expenses

* 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)

The Company had total current liabilities of \$1,461,660 as of September 30, 2005, consisting of accounts payable and accrued expenses of \$ 855,156, litigation accrual of \$225,747, line of credit of \$117,448, convertible note payable for services of \$89,500, and note payable to third parties of \$92,419 and accrued officer compensation of \$51,390.

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 \$45,000 and \$72,448 from the credit lines as of September 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. During the period, the Company entered into a settlement agreement for the payment of the note by authorizing the payment of \$ 100,000 in cash and issuance of 1,500,000 restricted shares of the Company. The Company paid \$ 10,500 in cash during the period. The shares have not issued as of September 30, 2005. The Company valued the shares based on the market value of the shares on agreement date. These shares have been shown on the financials as shares to be issued as of September 30, 2005.

Net cash used in operating activities was \$ 495,904 during the nine months ended September 30, 2005, as compared to net cash provided by operating activities of \$ 105,387 during the same period in 2004.

Net cash used in investing activities was \$ 40,830 during the nine months ended September 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 \$ 348,872 during the nine months ended September 30, 2005, as compared to net cash provided by financing activities of \$ 170,277 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.

For the nine month periods ended

September 30

The Company believes that it can satisfy the current cash requirements for Medical Billing. It is imperative that we raise \$2 million to \$3 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 \$2 million to \$3 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 September 30, 2005 The Company had a loss of \$ 438,178, a working capital deficiency of \$1,405,918, stockholders' deficiency of \$1,563,091, an accumulated deficit of \$2,337,787 and cash used in operations of \$ 495,904.. 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 \$405,000 for the nine months ended September 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 79% 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 79% 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;

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 \$ 438,178, a working capital deficiency of \$1,405,918, stockholders' deficiency of \$1,563,091, an accumulated deficit of \$2,333,787 and cash used in operations of \$ 495,904. 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:

Depreciation and amortization

81,520

46,741

Issuance of shares for service

46,889

1,010,000

Issuance of note payable for service

-

250,000

82

Issuance of shares for compensation

-

-

Gain on settlement of debt

26,082

-

Gain on sale of land

(261,863)

-

(Increase) decrease in current assets:

Receivables

-

78,306

83

Other assets

(611)

(391)

Increase in current liabilities:

Accounts payable and accrued expenses

50,258

115,704

Net cash used in operating activities

(495,904)

(105,387)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property & equipment

(40,830)

(67,699)

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**CASH FLOWS FROM FINANCING ACTIVITIES:****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.

During 2002, the Company was sued by one of its clients. The Company filed a countersuit against the client for violating the contractual agreement between the Company and the client. The client started to receive collections and do its own billings to patients while under contract with the Company. The Company alleges that the client used the Company's medical billing methods in violation of the contract. The amount the Company is suing for is \$210,056 plus its fees for all billing done by the client's office for the past three years using the billing methods of HBSGI.

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.

The Company is defendant 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 \$225,747 in the accompanying financials and has recorded them as a liability.

During the period, the Company entered into the settlement with one of the clients. The Company has accrued \$48,082 in the financials. The settlement provides for payment of \$22,000. The Company recorded \$26,082 as medical billing income on the financials. The Company has paid \$12,000 towards the settlement as of September 30, 2005.

ITEM 2. CHANGES IN SECURITIES

During the period, the Company issued 905,000 restricted Common Shares to various consultants valued at \$126,750 for business consulting and advisory services. The Company has expensed \$78,764 and has recorded the prepaid consulting expenses of \$66,986 based on the term of the consulting agreements. The prepaid consulting expenses will be amortized over the term of the consulting contracts.

During the period, the Company issued 600,000 to the officer of the Company pursuant to her employment agreement valued at \$42,000.

During the period, the Company issued 15,000 shares for cash amounting to \$5,000.

During the period, the Company entered into a settlement agreement for the payment of the note by authorizing the payment of \$ 100,000 in cash and issuance of 1,500,000 restricted shares of the Company. The Company paid \$ 10,500 in cash during the period. The shares have not issued as of September 30, 2005. The Company valued the shares based on the market value of the shares on agreement date. These shares have been shown on the financials as shares to be issued as of September 30, 2005.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None

ITEM 5. OTHER INFORMATION

None

Proceeds from notes payable

337,259

193,000

Proceeds from notes payable - officer

-

95,505

26



ITEM 6. 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 September 30, 2005.

Proceeds from issuance of shares for cash

5,000

-

Payment of notes payable

(10,500)

(119,665)

Proceeds on line of credit

17,113

1,751

Payments of line of credit

-

(314)

Net cash provided by financing activities

348,872

170,277

NET DECREASE IN CASH & CASH EQUIVALENTS

(187,862)

(2,809)

CASH & CASH EQUIVALENTS, BEGINNING BALANCE

243,604

2,809

CASH & CASH EQUIVALENTS, ENDING BALANCE

\$

55,742

\$

-

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: November 8, 2005

By: /s/ Chandana Basu

Chandana Basu,
Chief Executive Officer and
Principal Financial Officer

