

WEARABLE HEALTH SOLUTIONS, INC.

Form 10-K

August 24, 2018

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2017

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

For the transition period from _____ to _____

Commission File Number 333-153290

WEARABLE HEALTH SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

26-3534190

(I.R.S. Employer Identification No.)

200 West Church Road, Suite B, King of Prussia, PA 19406

(Address of principal executive offices)

(877) 639-2929

(Registrant's telephone number, including area code)

| | |
|---|--|
| Securities registered pursuant to Section 12(b) of the Act: | Section 12(g) of the Act: (Title of Each Class) |
| None | None |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the registrant’s common stock held by non-affiliates based upon the closing sales price of the common stock as reported by the OTCQB on August 24, 2018, the last trading day of the registrant’s second fiscal quarter, was approximately \$38,797 (\$.0055 per share of free trading shares). The determination of affiliate status for this purpose shall not be a conclusive determination for any other purpose.

As of August 24, 2018, there were 48,847,177 shares of the registrant’s common stock outstanding with 7,054,025 free trading shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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PART I

Item 1. Business

Company's History

Wearable Health Solutions, Inc. (Formerly known as Medical Alarm Concepts Holding, Inc.) (the "Company" or "Wearable Health") was formed in June 2008 and, on June 24, 2008. The Company acquired 100% of the membership interests in Medical Alarm Concepts, LLC, a Delaware limited liability corporation.

The principal executive offices of the Company are located at 200 West Church Road, Suite B, King of Prussia, PA 19406.

Company Overview

The Company manufactures medical alarm devices that are used to summon help in the event of an emergency. While these devices are primarily designed for the elderly, there is also a market for those who are physically disabled, as well as for persons living alone.

The Company was organized in mid-2008. The operation was financed with a considerable amount of toxic convertible debt. This type of financing, along with several other issues, prevented the Company from realizing a robust growth rate for its first few years of operation. Since that time, considerable management time has been spent and investor money utilized to turn the Company's operation around.

Our flagship product is called the MediPendant®, which is a personal emergency alarm that is used to summon help in the event of an emergency at home. Currently, approximately 60% of all medical alarms being sold in the United States are first-generation technologies that require the user to speak and listen through a central base station unit. The MediPendant®, however, offers a product that has the speaker in the pendant, enabling the user to simply speak and listen directly through the pendant in the event of an emergency.

The Company also manufacture the iHelp™ mobile medical alarm device. The iHelp™ is a next- generation medical alarm that utilizes T-Mobile's 2G network. Users of the iHelp™ mobile medical alarm can take the device with them wherever there is cellular service. There is no base station and the iHelp™ only requires a cellular signal in order to work.

The company has invested time, manpower, and money into the development of this product. On September 30, 2014, the company signed an agreement for a \$300,000 line of credit to enable it to launch the iHelp™, and to build the infrastructure that allowed the Company to buy and track air time from T-Mobile for cellular operation of this unit. The credit line was increased to \$500,000 in January 2015. The iHelp™ has enhanced features and functions including an advanced GPS system, the ability to remotely locate a loved one, and a dealer portal that enables dealers to manage their own iHelp™ customer base. A significant amount of time was spent on the backend systems, including the dealer portal. iHelp™ dealers have significant benefits, most importantly the ease of use in ordering product, activating and deactivating customers, tracking their customer usage, and creating and printing a variety of reports to assist in billing and collecting revenues. The iHelp™ dealer program is a turn-key program that offers the dealer the opportunity to provide his/her customers with the latest products without having to change his/her own backend.

We are in the process of discontinuing the iHelp™ and implementing a new product called the iHelp+ 3G™. The iHelp+ 3G™ is a cellular medical alert system that operates on a 3G network. In March 2016 and May 2016 the company raised an additional \$612,500 and \$425,000 to further develop the 3G product. Initially, it will be operating on the AT&T network (GSM - Global), and ultimately it will be able to operate on the Verizon (CDMA - USA) network as well. It is Bluetooth and Wi-Fi enabled. It has a much broader reach than the iHelp™, as well as additional functions, such as fall detection and geo-fencing (ability to pre-set an area and alert loved ones if the user leaves or enters the pre-set area). As of this date we have gained FCC, CE, and PTCRB approval. Expected product launch date is now Dec 2016.

It is planned that by the end of 2017 the iHelp+3G™ will be used as the communication device for Low Energy Bluetooth 4.0-enabled devices, and used for collecting and sending vital sign data, in any requested manner, to encrypted HIPAA-compliant cloud servers for access by proper parties.

New Product Development

The design and development of wearable 'biosensor' devices, such as the iHelp+3G™ for health and wellness, has garnered much attention in the public and healthcare community during the last few years. This is primarily motivated by increasing healthcare costs and propelled by recent technology advances in miniature bio-sensing devices, micro-computing technology, and wireless communications. The advance of wearable sensor-based systems will potentially transform the future of "telehealth", personal emergency response (PERS, mPERS) and remote monitoring, by enabling ubiquitous, convenient-to-use, cost-effective and proactive personal health management with real and near real-time monitoring and archiving of personal safety, health, and environmental conditions.

Beyond the recent emergence of smart mobile wireless and geographic location solutions, these systems will integrate via Bluetooth low energy 4.0 and other technologies with FDA approved medical devices and biosensors. The Company will be able to collect data on vital signs, send this data to HIPAA compliant servers in the cloud, and allow access by caregivers, nurses, doctors, hospitals, and other health organizations. This process can facilitate low-monthly-cost wearable solutions for the implementation of monitoring of users, all day and anywhere, for emergency, health, and activity status changes. This evolution will change the face of the traditional PERS device into a WHAM (Wearable Health& Alarm Monitoring) market.

Market Background

Living arrangements have changed greatly in the United States among older people and other potentially vulnerable segments of the population, including those with physical disabilities and/or medical conditions. During the 20th century, one of the most dramatic changes in the lives of the aging in the United States was the rise of the number of aging people living at home alone. In 1910, for example, only 12% of widows age 65 or older lived alone. In 1970, this figure was 70% and today it is estimated to be impressively higher.

In the 21st century, this trend has gained momentum and become stronger than ever, with more of the aging and medically at risk population living alone at present than at any other time in the past, especially with the rise of the aging Baby Boomer population. The Baby Boomers, those born between 1946 and 1964, started turning 65 years old in 2011, with the number of older people set to increase dramatically during the 2010 to 2030 time period. According to a 2009 analysis of U.S. Current Population Survey data, "between 2010 and 2030, the number of people age 65 and older is projected to grow by 31.7 million or 79.2%." Thus, the older population in 2030 is projected to be twice as

large as in 2000, growing from 35 million to 71.5 million, representing 20% of the total U.S. population around the year 2030.

This social dynamic of a rising older population is true in both the United States as well as in many developed nations worldwide. Likewise, social change, technological advancements, and general lifestyle choices have promoted increased independence and the ability to live alone among other potentially vulnerable segments of the population such as those with physical disabilities or medical conditions. These groups can be especially susceptible to health problems and concerns for their physical wellbeing. Experts and even common sense agree that in order to help facilitate independence and safety, more help is needed to provide these people with a point of contact in case of emergency, or the benefit of support in a time of need. It was in response to this situation that the personal emergency response systems (PERS) industry emerged in the United States and developed the first personal medical alarm. The most obvious and common use for personal medical alarms is as a safeguard for the aged and persons with certain medical conditions, in case of an age or health related incident that requires immediate attention, and in which the victim is unable to reach out for assistance via traditional means, including the ability to make a telephone call.

Effective personal emergency response systems with their emergency alert capabilities, are a key technology solution that can greatly help the vulnerable segment of the population live a more free and active life while maintaining the security of being able to access immediate assistance as needed. In fact, there has been a boom in the PERS market in recent years because of the growing aging population worldwide. According to Forrester Research, Inc., the PERS market in the United States has grown at double digit rates, from approximately \$350 million in 2004 to \$2 billion in 2012 and increasing every year thereafter.

Today, however, while the PERS industry has been around for a long time, much of the technology within the industry has unfortunately remained stagnant. Many of the original PERS solutions are still designed today to provide alerts whereby a push of a button simply triggers a call center operator to respond by calling the device user at home, with two-way voice communication done through a centralized speaker box and not the actual device itself. Thus, traditional PERS solutions currently on the market offer communication between user and a call center only through a speaker box. This greatly inhibits the user's freedom and limits their mobility to an area near the speaker box.

Mobile medical alerts have recently been introduced to the market. They are designed for the younger and more active person with medical issues, and also the active elderly adult.

And with the emergence of telehealth and biosensor technology, the market is changing again, to an even younger people with medical issues that need to be tracked on a regular basis.

Wearable Health Solutions offers a wide range of solutions for the user from a simple at home medical alarm to a mobile device that enables the user to get help anywhere they go. With the introduction of the telehealth product by the end of 2017, users will be able to get help, before they even know they need it.

Market Opportunity

The healthcare industry is the largest industry in the world, with the home healthcare market in developed countries in particular growing rapidly, driven in part by aging baby boomers and a growing shift toward moving some types of healthcare away from the hospital and into the home.

These trends help make the home healthcare sector an increasingly attractive market for successful companies that offer effective solutions in the PERS industry space. The most obvious and common use for personal medical alarms is as a safeguard for the aged and persons with certain medical conditions, not only in case of an age or health related incident that requires immediate attention, but in which the victim is unable to reach out for assistance via traditional means, including the placement of a telephone call. While very few things can prevent falls by aged persons or other unforeseen medical emergencies, medical alarms mitigate the potential harm and expensive hospital stays done by initiating a timely response to such an incident. And tracking devices, like the iHelp+3G™ for wearable biosensors will be able to monitor people with pre-existing conditions.

In fact, there has been a boom in the PERS market in recent years because of the growing aging population worldwide and in the United States in particular. According to the U.S. Census Bureau, the number of people over 65 in the

United States is set to jump from approximately 34 million today to approximately 65 million in 2025. By 2050, this number is projected to reach 86.7 million, with many of them living at home or in an alternative home-type environment. Worldwide, this figure number is expected to double from some 550 million people currently at age 65 years old to over 1.2 billion seniors by the time period around the year 2025.

Not surprisingly, experts in the health care industry expect many of these seniors will want to continue living independently at home for as long as possible. Likewise, more than any aging generation of the past, this population is expected to be more technology-savvy as consumers of healthcare are very interested in playing an active role in personally managing their health and well-being. Importantly, they will likely look to technologies that help them gain access to medical care while being able to remain independent and outside a hospital environment.

Effective personal emergency response systems (PERS), with their emergency alert capabilities, are a key technology solution that can greatly help the vulnerable segment of the population live a more free and active life while maintaining the security of being able to access immediate assistance as needed. According to Forrester Research, Inc., the PERS market in the United States has grown at double digit rates, from approximately \$350 million in 2004 to \$2 billion in 2012 and increasing every year thereafter.

According to statistics from some of the industry's largest providers of traditional PERS solutions, customers of these emergency alert systems are typically individuals over the age of 75 years old whom are predominantly female and live alone, with the actual buyers of PERS systems often being the end user's children who purchase the medical alarms for their parents.

Regarding purchases of PERS solutions worldwide, the large majority of customers currently pay for their PERS products out-of-pocket, with government reimbursement for PERS items varying from country to country. In the United States, for example, 25% of PERS sales were government reimbursed in 2004, compared to 35% in Germany, just over 50% in France and nearly 100% in the United Kingdom. Furthermore, it is estimated government reimbursement for PERS will ramp up in a number of countries, further fueling demand for these products.

Interestingly, as an approximation of the potential PERS market size in the United States, Lifeline Systems, Inc., the founder of the PERS industry in the U.S. approximately 35 years ago, served 250,000 users in the United States and Canada around the time frame of 1992. Today, Philips Medical Systems' acquisition of Lifeline Medical Alarm has positioned it as the largest provider of traditional PERS systems with over 700,000 monitored accounts, implying that the total market size of users is likely much larger.

Sales and Marketing

The company's marketing efforts are focused in four main areas

- | | |
|------|-----------------------------|
| i. | Internet sales & marketing, |
| ii. | retail distribution, |
| iii. | wholesale distribution and |
| iv. | International markets. |

1) Internet Sales & Marketing

The Company markets the MediPendant® through its website at www.MediPendant.com and its iHelp™ mobile medical alarm to dealers at www.ihelpalarm.com. Due to the complex sales process for medical alarms, which often require several phone calls among the end user customer's family members before a decision is reached, the MediPendant® and iHelp™ websites are used mainly for informational purposes with the actual sale typically taking place over the phone with one of our customer service representatives or one of our many dealers. The company uses a variety of techniques, such as Internet paid ad campaigns and social media, in order to drive web traffic to the websites, and initiate potential customer sales calls.

2) Retail Distribution

During 2012, the company announced its plans to promote the MediPendant® product utilizing an e-commerce marketing strategy program designed specifically for Costco Wholesale Corporation and its members. Costco began offering the MediPendant® to its customers via its website during the spring of 2012.

3) Wholesale Distribution

The Company currently has several relationships with wholesalers who resell the MediPendant® and the iHelp™ in conjunction with their own monitoring services. The company believes its relationships with its strategic partners is good. The company is currently in discussions with several other wholesale groups looking to distribute our products through their own independent channels. With the introduction of the iHelp+ 3G™, Wearable Health Solutions will be selling only through Wholesale Distribution and in International Markets.

4) International Markets

The Company also distributes its products in a wholesale manner to selected international markets. To date, the company has made sales in Denmark, Ireland, Bermuda, and the People's Republic of China. There has recently been a lot of International interest in the company's new iHelp+ 3G™, and the company plans to distribute its product initially in Canada and Europe, and expand from there.

Competition

The market for Personal Emergency Response Systems (PERS) is highly fragmented. Because the vast majority of the market participants are private corporations, only limited information about competitors is available.

The vast majority of competitors market first generation PERS systems that rely on a centralized base station for communication between the user and the monitoring center. The second largest of these market participants is believed to be Life Alert, which was founded in 1987. The largest participant is thought to be Philips Medical Systems, which several years ago purchased Lifeline Medical Alarms. Additionally, there are dozens of smaller organizations marketing PERS devices and monitoring services.

Mobile Medical Alerts have recently been introduced to the market. They are designed for the younger and more active person with medical issues and also the active elderly adult.

Termination of Patent Purchase Agreement and New Patent Licensing Agreement

On July 10, 2008, the Company entered into a Purchase Agreement and Patent Assignment Agreement (the "Agreement") effective July 31, 2008. The Company was obligated to pay the seller \$2,500,000 on June 30, 2012. The Agreement specifies interest of 6% payable monthly, commencing on July 31, 2008. The seller had the right to reacquire all patents and applications if payment was not made on June 30, 2012; however, this agreement has been extended quarterly since June 30, 2012. The patent purchase agreement refers to patent #RE41845 and RE41392. The scope of the patents are as follows: A personal emergency communication system includes a user-carried portable communication unit having a single button, which when depressed by the user, wirelessly sends a call request signal to a base unit. The base unit initiates a telephone call through a dial-up network to an emergency response center and places an operator at the emergency center responder in wireless voice communication with the portable unit when the call is connected. The telephone number to be called can be stored in at least one of the portable unit and the base unit. A speech synthesizer operating in combination with automated voice messages stored in at least one of the base unit and portable unit system memory are used to advise the user of the status of the call, and to provide the user with verbal confirmation that functional systems of the base unit are operating properly.

In June 2015, the Company made a decision to terminate its patent agreement with Nevin Jenkins, the patent holder. Mr. Jenkins and the Company agreed to a new revised licensing agreement whereby the company still has the ability to order and sell product utilizing the patent. The company feels that the old agreement was too costly, and money would be better served based on its decision of investing in more cellular type mPERS devices. Its new agreement with Mr. Jenkins will enable the Company to continue selling the MediPendant® based on a cost plus structure.

Products

The Company's primary focus is the sale of its medical alarm and safety alert devices, which are some of the most advanced systems on the market today.

a) *MediPendant*®

MediPendant® is the Company's traditional medical alarm product and the world's first monitored two-way voice speakerphone pendant for the PERS (personal emergency response) industry. It allows the user to speak and listen to the operator directly through the pendant. Wearable Health Solutions' alarm pendant also offers superior range radio frequency capabilities and an enhanced communication range that enable the user to move freely in and about the home, including up to an extended range that is revolutionary in the PERS industry. Specifically, the MediPendant® system enables the device wearer to move up to 600+ feet (line of sight) away from the main base station, a distance that far exceeds competitive offerings on the market today that instead require the user to be within speaking distance of the base station box, a situation that may not be conducive to an emergency if the end user is not at the base station.

As part of the MediPendant® product offering, users receive Wearable Health Solutions' two-way communication pendant, base station unit and a subscription to the Company's around-the-clock personal response service monitoring center.

Emergency calls made through the Company's MediPendant® device are always handled by certified operators who are available around the clock 24-hours a day and guaranteed to remain on the line with MediPendant® subscribers until the problem is resolved and/or help arrives. Operators are trained to immediately assess the situation and can either connect the caller to a loved-one or dispatch medical personnel to the user's location. All emergency operators are prepared to bring calm, professional, knowledgeable insight to any situation. Additionally, the call center can also maintain an important list of personal information for all MediPendant® users that includes an updated list of medications, health information and the subscriber's contact information including home address for location and dispatch purposes. This personal information and medical history are securely stored by the monitoring center and can be provided to the dispatched authority and emergency responders as necessary.

b) iHelp™

The company recently announced the launch of a new, advanced medical alarm device called the iHelp™. The iHelp™ is an advanced mobile medical alert system, designed to be easy to use, lightweight yet durable, but with significantly advanced features. The company has invested time, manpower, and money into the development and launch of this product. The iHelp™ has enhanced features and functions including an advanced GPS system, the ability to remotely locate a loved one, voice prompts, and a dealer portal that enables dealers to manage their own iHelp™ customer base. A significant amount of time was spent on the back end systems, including the dealer portal. iHelp™ dealers have significant benefits, most importantly the ease of use in ordering product, activating and deactivating customers, tracking their customer usage, and creating and printing a variety of reports. The iHelp™ dealer program is a turn-key program that offers the dealer the opportunity to provide his/her customers with the latest products without having to change his/her own "back end" systems. With the introduction of the new and greatly improved iHelp+ 3G™ unit, the iHelp™ will no longer be produced.

c) iHelp + ™ 3G

The iHelp+ 3G™ is currently in the final approval stage and is expected to be available to the marketplace by December 2016. The iHelp+ 3G™ is similar to the iHelp™ in that it is an mPERS product. However, the iHelp+ 3G™ will have more advanced features and functions, including the ability to detect if the wearer of the unit falls such as in the shower, have Geo-Fencing and Tracking ability, will operate on the "3G" networks, and be telehealth enabled via blue tooth low energy 4.0. The unit will have superior audio quality, an extended battery life, and will operate on GSM networks allowing for use with AT&T providers both domestically and internationally (with AT&T partners), therefore enabling extended coverage almost anywhere the user may go.

Item IA. Risk Factors

The information to be reported under this Item is not required of smaller reporting companies.

Item IB. Unresolved Staff Comments

Not Applicable

Item 2. Properties

The principal place of business of the Company is situated at 200 West Church Road Suite B, King of Prussia, PA 19406. This office is leased. The management believes that the facilities it is using now are adequate and suitable for business requirements.

Item 3. Legal Proceedings

The Company is not presently a party to any litigation nor, to our knowledge, is any litigation threatened against it, which may materially affect its business or its assets.

Item 4. Mine Safety Disclosures

Not Applicable

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The common stock has been quoted on the OTC Bulletin Board system under the symbol “MDHI” since January 2, 2009. It is now quoted on the OTCQB under the symbol WHSI.

The market price of the Company's common stock will be subject to significant fluctuations in response to variations in its quarterly operating results, general trends in the market, and other factors, over which the Company has little or no control. In addition, broad market fluctuations, as well as general economic, business and political conditions, may adversely affect the market for the common stock, regardless of the Company's actual or projected performance.

| | High | Low |
|---------------------|-------|-------|
| 2016 | | |
| First quarter ended | \$.12 | \$.08 |
| Second quarter | \$.49 | \$.10 |
| Third quarter ended | \$.24 | \$.03 |
| Fourth quarter | \$.19 | \$.07 |
| 2017 | | |
| First quarter | \$.50 | \$.30 |
| Second quarter | \$.47 | \$.15 |
| Third quarter | \$.35 | \$.10 |
| Fourth quarter | \$.17 | \$.11 |

Holders

As at the period end, there were approximately 130 shareholders of record of the common shares.

Dividends and Dividend Policy

The Company's policy is to reinvest earnings in order to fund future growth. Therefore, the Company has not paid, and currently do not plan to declare dividends on its common stock. Although the Company intend to retain its earnings, if any, to finance the exploration and growth of its business, its Board of Directors will have the discretion to declare and pay dividends in the future.

Payment of dividends in the future will depend upon the Company's earnings, capital requirements, and other factors, which its Board of Directors may deem relevant.

Equity Compensation Plan Information

The Company do not has any equity compensation plans under which equity securities of the Company are authorized for issuance and it has not granted any stock options.

Item 6. Selected Financial Data

The information to be reported under this item is not required of smaller reporting companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the notes thereto in Part II, Item 8 to this Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting our current expectations. Actual results and the timing of events may differ significantly from those projected in forward-looking statements due to a number of factors, including those set forth in Item 1A "Risk Factors" of this Annual Report on Form 10-K. Given these uncertainties, readers of this filing and investors are cautioned not to place undue reliance on such forward-looking statements.

The Company believes it can satisfy its cash requirements for the next twelve months with its current cash flow from business operations, although there can be no assurance to that effect. If the Company is unable to satisfy its cash requirements, it may be unable to proceed with its plan of operation. The Company do not anticipate the purchase or sale of any significant equipment. The Company also do not expect any significant additions to the number of employees. The foregoing represents the Company's best estimate of its cash needs based on current planning and business conditions. In the event the Company is not successful in reaching its initial revenue targets, additional funds may be required, and it may not be able to proceed with its business plan for the development and marketing of its core services. If this occur, the Company may be forced to suspend or cease operations.

The Company anticipate incurring operating losses in the foreseeable future. Therefore, the Company's auditors have raised substantial doubt about its ability to continue as a going concern.

Going Concern

The Company has working capital deficit, did not generate cash from its operations, had stockholders' deficit, and had operating losses since inception. These circumstances, among others, raise substantial doubt about the Company's ability to continue as a going concern. While the Company is attempting to generate sufficient revenues, the Company's cash position may not be enough to support the Company's daily operations. While the Company believes in the viability of its strategy to increase revenues and in its ability to raise additional funds, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate sufficient revenues. The Company may incur operating losses in the foreseeable future. Therefore, the Company's auditors have raised substantial doubt about its ability to continue as a going concern.

Off-Balance Sheet Arrangements

At June the period end, the Company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, the Company is not exposed to any financing, liquidity, market or credit risk that could arise had it engaged in such relationships.

Item 8. Financial Statements and Supplementary Data

The Company's financial statements are contained in the pages beginning F-1, which appear at the end of this annual report.

Item 9. Changes In, and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures

Ronnie Adams, the Company's Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of fiscal year pursuant to Rules 13a-15(b) or 15d-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) are controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it file under the Exchange Act is accumulated and communicated to its management, as appropriate, to allow timely decisions regarding required disclosure. Based on their evaluation, Mr. Adams concluded that the disclosure controls and procedures of the Company were ineffective as at the period end to ensure that information required to be disclosed by the Company in the reports that it file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

In order to rectify its ineffective disclosure controls and procedures, the Company is developing a plan to ensure that all information will be recorded, processed, summarized and reported accurately, and as of the date of this report, it has taken the following steps to address its ineffective disclosure controls and procedures:

The Company will continue to educate its management personnel to comply with the disclosure requirements of the Exchange Act and Regulation S-K; and

- The Company will increase management oversight of accounting and reporting functions in the future.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

(b) Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control system over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Under the supervision and with the participation of management, including the Company's Chief Executive Officer/Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included an assessment of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Based on this evaluation, our Chief Executive Officer/Chief Financial Officer concluded, as at current period ended, that our internal controls over financial reporting were ineffective due to the material weakness identified.

A material weakness in internal controls is a deficiency in internal control, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a material misstatement of the Company's annual or interim financial statements that is more than inconsequential will not be prevented or detected. In the course of making our assessment of the effectiveness of internal controls over financial reporting, we identified the following material weakness in our internal control over financial reporting:

The Company is lacking qualified resources to perform the internal audit functions properly. In addition, the scope and effectiveness of the Company's internal audit function are yet to be developed.

- The Company is relatively inexperienced with certain complexities within US GAAP and SEC reporting.

Remediation Initiative

We are committed to establishing the disclosure controls and procedures but due to limited qualified resources in the region, we were not able to hire sufficient internal audit resources by the period end. However, internally we established a central management centre to recruit more senior qualified people in order to improve our internal control procedures. Externally, we are looking forward to engaging an accounting firm to assist the Company in improving the Company's internal control system based on the COSO Framework. We also will increase our efforts to hire the qualified resources.

We intend to establish an audit committee of the board of directors as soon as practicable. We envision that the audit committee will be primarily responsible for reviewing the services performed by our independent auditors, evaluating our accounting policies and our system of internal controls.

Conclusion

The Company did not have sufficient and skilled accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of generally accepted accounting principles accepted in the United States of America commensurate with the Company's disclosure controls and procedures requirements, which resulted in a number of deficiencies in disclosure controls and procedures that were identified as being significant. The Company's management believes that the number and nature of these significant deficiencies, when aggregated, was determined to be a material weakness.

Despite of the material weaknesses and deficiencies reported above, the Company's management believes that its consolidated financial statements included in this report fairly present in all material respects the Company's financial condition, results of operations and cash flows for the periods presented and that this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this

report.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The directors hold office until the next annual meeting of stockholders and until their successors are elected and qualified. Any director may resign his or her office at any time and may be removed at any time by the holders of a majority of the shares then entitled to vote. The Board of Directors appoints the executive officers, and the executive officers serve at the pleasure of the Company's Board of Directors.

The directors and executive officers, their ages, positions held, and duration of such are as follows:

| Name | Age | Title |
|--------------|------------|--|
| Ronnie Adams | 68 | Chief Executive Officer, President, and Chairman of the Board of Directors |
| Allen Polsky | 71 | Director |

Professional Experience:

Set forth below is a brief description of the background and business experience of our executive officers and directors for the past five years.

Ronnie Adams

Ronnie Adams serves as our CEO, President, Chief Financial Officer, and Director. He has also served as President and Chief Financial Officer of a NASDAQ company that he started from inception and grew to over \$60 million. Mr. Adams was the recipient of the prestigious Entrepreneur of the Year Award in 1996, sponsored by Dow Jones, NASDAQ, and Ernst & Young.

Allen Polsky

Allen Polsky has 30 years of experience in the security and life safety industry and currently serves as Medical Alarm Concepts' Vice President of Strategic Alliances. Prior to joining MAC, he was a Senior Security consultant for JM resources, a structured wiring company. He was also a co-founder of Connective Home Acquisition.

Family Relationships

Anthony Chetta is the Chief Technology Officer and the son in law of the Company's CEO& President.

Section 16(a) Beneficial Ownership Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors and certain persons holding more than 10 percent of a registered class of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Officers, directors and certain other shareholders are required by the SEC to furnish the Company with copies of all Section 16(a) forms they file. To the best of the Company's knowledge, based solely upon a review of the copies of such reports. The Company's quarterly report on Form 10-Q for quarterly period ended March 31, 2013 was filed with the SEC on May 29, 2014. The Company's annual report on Form 10-K for fiscal year ended June 30, 2013 was filed with the SEC on July 17, 2014. The Company's quarterly report on Form 10-Q for period ended September 30, 2013, December 31, 2013 and March 31, 2014 were filed with the SEC on September 12, September 25 and October 8, 2014, respectively, all other required filings were not made on a timely basis.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics (the "Code") that is applicable to all employees, consultants and members of the Board of Directors, including the Chief Executive Officer, Chief Financial Officer and Secretary. This Code embodies our commitment to conduct business in accordance with the highest ethical standards and applicable laws, rules and regulations. We will provide any person a copy of the Code, without charge, upon written request to the Company's Secretary. Requests should be addressed in writing to Mr. Ronnie Adams at the Company's mailing address.

Director Nominees Recommended by Stockholders

We have not implemented any changes to the procedures by which stockholders may recommend nominees to our board of directors since we last disclosed those procedures in our most recent proxy statement filed with the SEC.

Board Composition; Audit Committee and Financial Expert

Our Board of Directors is currently composed of two members: Ronnie Adams and Allen Polsky. All board actions require the approval of a majority of the directors in attendance at a meeting at which a quorum is present.

We currently do not have an audit committee. We intend, however, to establish an audit committee of the board of directors as soon as practical. We envision that the audit committee will be primarily responsible for reviewing the services performed by our independent auditors, evaluating our accounting policies and our system of internal controls. Currently such functions are performed by our Board of Directors.

The Board has determined that none of the board members qualifies as a "financial expert" as defined by SEC rules implementing Section 407 of the Sarbanes-Oxley Act. Neither Mr. Adams nor Mr. Polsky meet the definition of an "independent" director set forth in Rule 4200(a) (15) of the Market Place Rules of the Nasdaq Stock Market, which is the independence standard that we have chosen to report under.

Board meetings and committees; annual meeting attendance.

During current fiscal year, the Board of Directors had one meeting in total. All members of the Board of Directors attended the meetings. All members of the Board of Directors are required to attend the annual meetings of securities holders.

Item 11. Executive Compensation

The following summary compensation table sets forth all compensation awarded to, earned by, or paid to the named executive officer during the current and prior years ended in all capacities for the accounts of our executive officers, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO):

Summary Compensation Table

The following summary compensation table sets forth all compensation awarded to, earned by, or paid to the named executive officer during the current and prior years ended in all capacities for the accounts of our executive officers, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO):

Summary Compensation Table

| Name | Salary (\$) | All Other Compensation | Total (\$) |
|--------------|--------------------|-------------------------------|-------------------|
| Ronnie Adams | 115,370 | 6,040 | 121,410 |
| | 56,800 | 6,040 | 62,840 |
| Allen Polsky | 26,500 | Nil | 26,500 |
| | 12,000 | Nil | 12,000 |

Option Grants

There were no individual grants of stock options to purchase our common stock made to the executive officers named in the Summary Compensation Table through current year.

Aggregated Option Exercises and Fiscal Year-End Option Value.

There were no stock options exercised during current period ended by the executive officers named in the Summary Compensation Table.

Long-Term Incentive Plan (“LTIP”) Awards.

There were no awards made to the named executive officers in the last completed fiscal year under any LTIP.

Compensation of Directors

Directors are permitted to receive fixed fees and other compensation for their services as directors. The Board of Directors has the authority to fix the compensation of directors.

Employment Agreements

We do not have any employment agreements in place with our executive officers and directors.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
Security Ownership

The following table sets forth as of Oct 1 2016, certain information with respect to the beneficial ownership of our common stock by

- (i) each of our executive officers,
 - (ii) each person who is known by us to beneficially own more than 5% of our outstanding common stock, and
 - (iii) all of our directors and executive officers as a group. Percentage ownership is calculated based on 44,874,177 shares of our common stock outstanding as of Oct 10, 2016.
- (iv) None of the shares listed below are issuable pursuant to stock options or warrants of the Company.

Item 13. Certain Relationships and Related Transactions, and Director Independence

See financial statements for the related party transactions.

Item 14. Principal Accounting Fees and Services

Fees Paid to Independent Public Accountants for current and prior year.

Audit Fees

For the Company's current and prior fiscal years, the Company was billed approximately \$52,500 and \$42,500, respectively, for professional services rendered for the audit and review of our financial statements.

Tax Fees

For the Company's current and prior fiscal years ended, the Company was billed \$1,000 and \$900 for professional services rendered for tax compliance, tax advice, and tax planning.

All Other Fees

None.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The Company's board of directors served as members of audit committee. The Company has not adopted preapproval policies and procedures with respect to its accountants in current fiscal year. All of the services provided and fees charged by its independent registered accounting firms in current fiscal year were approved by the board of directors.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as part of or are included in this Annual Report:

1. Financial statements listed in the Index to Financial Statements, filed as part of this Annual Report; and
2. Exhibits listed in the Exhibit Index filed as part of this Annual Report.

INDEX TO EXHIBITS

| Exhibit No. | Description |
|--------------------|---|
| 31.1 | <u>Certification of Director and Chief Executive Officer</u> |
| 31.2 | <u>Certification of Chief Financial Officer</u> |
| 32.1 | <u>Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002</u> |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**WEARABLE HEALTHCARE SOLUTIONS,
INC.**

By: /s/ DANIEL SOBOLOWSKI
Daniel Sobolowski

Date: August 24, 2018 President, Chief Executive Officer and Director
 (Principal Executive Officer)

Wearable Healthcare Solutions, Inc.**Balance Sheet**

As at June 30, 2017 (Unaudited)

| | Notes | As at June 30, 2017 (Unaudited) (\$) |
|---|--------------|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 4 | 30,632 |
| Accounts receivable, net | 5 | 54,628 |
| Inventory | 6 | 146,892 |
| Prepaid expenses | 7 | 43,316 |
| Advances to suppliers | | 108,771 |
| Total Current Assets | | 384,237 |
| Property, plant and equipment, net | 8 | 31,482 |
| Total Assets | | 415,719 |
| EQUITY & LIABILITIES | | |
| Current Liabilities | | |
| Credit line payable - related party | | 397,500 |
| Accounts payable | 9 | 59,981 |
| Deferred revenue | | 259,721 |
| Due to related party | | 500 |
| Notes payable | | 11,110 |
| Notes payable - Other | | 50,000 |
| Derivative liabilities | | 109,704 |
| Convertible notes payable - net of discount | | 597,500 |
| Accrued expenses and other current liabilities | | 169,796 |
| Total Current Liabilities | | 1,655,812 |
| Credit line payable - Related party | 11 | — |
| Total Liabilities | | 1,655,812 |
| SHAREHOLDERS' EQUITY | | |
| Series A Convertible Preferred Stock: \$0.0001 par value; 100,000 shares authorized | | — |
| Series B Convertible Preferred Stock: \$0.0001 par value; 62,500 shares authorized | | 1 |
| Series C preferred stock: \$0.0001 par value; 6,944,445 authorized, | | 14 |
| Series D preferred Stock: \$0.0001 par value; | | 43 |

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| | | |
|---|----|--------------|
| Common stock: \$0.0001 par value; 400,000,000 shares authorized | 15 | 4,988 |
| Additional paid in capital | | 16,685,314 |
| Accumulated deficit | | (17,930,453) |
| Total Shareholders' Equity | | (1,240,093) |
| | | |
| Total Liabilities and Shareholders' Equity | | 415,719 |

Wearable Healthcare Solutions, Inc.**Statement of Profit and loss****For the year ended June 30, 2017**

| | Notes | For the year ended June 30, 2017 (Amount in \$) |
|--|--------------|--|
| Revenue | 20 | 850,638 |
| Cost of sales | 21 | (145,336) |
| Gross profit | | 705,302 |
| Operating expenses | | |
| Selling expense | 22 | (33,241) |
| General and administrative | 24 | (4,562,938) |
| Research and development | | (2,125) |
| Income / (Loss) from operations | | (3,893,002) |
| Other Income / (expense) | | |
| Change in fair value of derivative instrument | | 218,382 |
| Interest expense - related party | | (21,628) |
| Interest expense | | (159,556) |
| Other income | | 120,000 |
| Net Profit / (loss) before taxes | | (3,735,804) |
| Income tax | | - |
| Net Profit / (loss) | | (3,735,804) |
| Net loss per common share - Basic and Diluted | | (0.07490) |
| Weighted average common shares outstanding - Basic & Diluted | | 49,878,676 |

Wearable Healthcare Solutions, Inc.**Statement of Shareholders' Equity****As at June 30, 2017 (Unaudited)**

| | Series A - Preferred Stock | | Series B - Preferred Stock | | Series C - Preferred Stock | | Series D - Preferred Stock | | Common Stock | | Additional Paid in Capital | Accumulated Profit/(Deficit) | Total Stockholders' Equity |
|---------------------------------|----------------------------|--------|----------------------------|--------|----------------------------|--------|----------------------------|--------|--------------|-------|----------------------------|------------------------------|----------------------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Par | Capital | (Deficit) | Equity |
| | Amounts in \$ | | | | | | | | | | | | |
| As at July 1, 2016 (Unaudited) | 668 | 0 | 9,938 | 1 | 138,886 | 14 | 425,000 | 43 | 7,878,676 | 788 | 13,074,514 | (14,194,648) | (1,111,000) |
| Profit/(loss) for the period | - | - | - | - | - | - | - | - | - | - | - | (3,735,804) | (3,735,804) |
| Issuance of common stocks for | - | - | - | - | - | - | - | - | 42,000,000 | 4,200 | 3,610,800 | - | 3,615,000 |
| As at June 30, 2017 (Unaudited) | 668 | 0 | 9,938 | 1 | 138,886 | 14 | 425,000 | 43 | 49,878,676 | 4,988 | 16,685,314 | (17,930,453) | (1,241,000) |

Wearable Healthcare Solutions, Inc.**Statement of cashflows****As at June 30, 2017 (Unaudited)**

| | 2017 | |
|---|------------------------|---|
| | (Amounts in \$) | |
| Cash flow from operating activities | | |
| (Loss) / profit before income tax | (3,735,804 |) |
| Adjustment for non cash charges and other items: | | |
| Common stock issued for services | 3,615,000 | |
| Change in fair value of derivative instrument | (218,382 |) |
| Amortization of debt discount and original issue discount | 143,641 | |
| Amortization and depreciation | 17,875 | |
| Bad debt expense | 11,058 | |
| | (166,611 |) |
| Changes in working capital | | |
| Decrease / (increase) in accounts receivables | 12,151 | |
| Decrease / (increase) in inventory | (139,377 |) |
| Decrease / (increase) in prepaid expenses | 1,703 | |
| Decrease / (increase) in advances to suppliers | 175,930 | |
| (Decrease) / increase in trade and other payables | 29,873 | |
| (Decrease) / increase in accrued expenses | 16,937 | |
| (Decrease) / increase in deferred revenue | (61,257 |) |
| | 35,959 | |
| Cash flow from operating activities | (130,652 |) |
| Cash flow from investing activities | | |
| Additions in intangibles assets | - | |
| Additions in property, plant and equipment | - | |
| Cash flow from / (used) in investing activities | - | |
| Cash flow from financing activities | | |
| Proceeds from convertible notes issued | - | |
| Proceeds (repayment) from note payable | 4,873 | |
| Proceeds from note payable - other | 50,000 | |
| Cash flow from financing activities | 54,873 | |
| Increase/(decrease) in cash and cash equivalents | (75,779 |) |

| | |
|--|---------|
| Cash and cash equivalents at beginning of the year | 106,411 |
| Cash and cash equivalents at end of the year | 30,632 |

Wearable Healthcare Solutions, Inc.

Notes to the Financial Statements

For the year ended June 30, 2017

1. LEGAL STATUS AND OPERATIONS

Wearable Healthcare Solutions Inc. (the Company) was incorporated as Medical Alarm Concepts Holding, Inc. on June 4, 2008 under the laws of the State of Nevada. The Company was formed for the sole purpose of acquiring all of the membership units of Medical Alarm Concepts LLC, a Pennsylvania limited liability company ("Medical LLC"). On May 26, 2016, the Company filed an Amended and Restated Articles of Incorporation with the Secretary of State of the State of Nevada to change its name from "Medical Alarm Concepts, Inc." to "Wearable Health Solutions Inc."

The Company is primarily engaged in utilizing new technology in the medical alarm industry to provide 24- hour personal response monitoring services and related products to subscribers with medical or age- related conditions.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") on a going concern.

2.2 Accounting Convention

These financial statements have been prepared on the basis of 'historical cost convention using accrual basis of accounting except as otherwise stated in the respective accounting policies notes.

Going concern

The accompanying unaudited financial statements have been prepared on the assumption that the Company will continue as a going concern. The Company historically has experienced significant losses and negative cash flows from operations. Further, the Company does not have a revolving credit facility with any financial institution. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on raising additional capital, negotiating adequate financing arrangements and on achieving sufficiently profitable operations. The financial statements do not include any adjustments relating to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods.

The areas involving higher degree of judgment and complexity, or areas where assumptions and estimates made by the management are significant to the financial statements are as follows:

- i) Equipment - estimated useful life of property, plant and equipment (note - 3.8)
- ii) Provision for doubtful debts (note - 3.4)
- iii) Provision for income tax (note - 3.1)
- iv) Valuation of Inventory (note - 3.13)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Income tax

The tax expense for the year comprises of income tax, and is recognized in the statement of earnings. The income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the

corresponding tax bases used in the computation of taxable profit. Deferred income tax liabilities are recognised for all taxable temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred income tax is calculated at the rates that are expected to apply to the period when the differences are expected to be reversed.

3.2 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.3 Provisions

A provision is recognized in the financial statements when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.4 Accounts Receivable

Accounts receivable are non-interest bearing obligations due under normal course of business. The management reviews accounts receivable on a monthly basis to determine if any receivables will be potentially uncollectible. Historical bad debts and current economic trends are used in evaluating the allowance for doubtful accounts. The Company includes any accounts receivable balances that are determined to be uncollectible in its overall allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available, the Company believes its allowance for doubtful accounts as of period ended is adequate.

3.5 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events, not wholly within the control of the Company; or when the Company has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.6 Financial liabilities

Financial liabilities are recognized when the Company becomes party to the contractual provision of the instruments and the Company loses control of the contractual right that comprise the financial liability when the obligation specified in the contract is discharged, cancelled or expired. The Company classifies its financial liabilities in two categories: at fair value through profit or loss and financial liabilities measured at amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified in this category if incurred principally for the purpose of trading or payment in the short-term. Derivatives (if any) are also categorized as held for trading unless they are designated as hedges.

(b) Financial liabilities measured at amortized cost

These are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. These are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account.

3.6.1 Derivative financial instruments and hedge accounting

Derivatives are recognised initially at fair value, any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit and loss account.

The Company also holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

(a) Fair value hedge

Derivatives which are designated and qualify as fair value hedge, changes in the fair value of such derivatives are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) *Cash flow hedges*

When a derivative is designated as cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

3.7 Property, plant and equipment

All equipments are stated at cost less accumulated depreciation and impairment loss. The cost of fixed assets includes its purchase price, import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation on additions to property, plant and equipment is charged, using straight line method, on pro rata basis from the month in which the relevant asset is acquired or capitalized, upto the month in which the asset is disposed off. Impairment loss, if any, or its reversal, is also charged to income for the year. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its estimated useful life.

Maintenance and normal repair costs are expensed out as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any are retired.

Gains and losses on disposal of fixed assets, if any, are recognized in statement of profit and loss.

3.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. For the purpose of the statement of cash flows, cash and cash equivalents bank balances and short term highly liquid investments subject to an insignificant risk of changes in value and with maturities of less than three months.

3.9 Revenue recognition

The Company's revenues are derived principally from utilizing new technology in the medical alarm industry to provide 24-hour personal response monitoring services and related products to subscribers with medical or age-related conditions. The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement that the services have been rendered to the customer, the sales price is fixed or determinable, and collectability is reasonably assured.

All revenues from subscription arrangements are recognized ratably over the term of such arrangements. The excess of amounts received over the income recognized is recorded as deferred revenue on the consolidated balance sheet.

3.10 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in US (Dollars) which is the Company's presentation currency. All financial information presented in US Dollars has been rounded to the nearest dollar unless otherwise stated.

3.11 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rate prevailing at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the profit and loss account.

3.12 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities, which may differ on the occurrence / non-occurrence of the uncertain future event(s).

3.13 Inventories

Inventories, except for stock in transit, are stated at lower of cost and net realizable value. Stock in transit is valued at cost comprising invoice value plus other charges thereon. Net realizable value is the estimated selling price in ordinary course of business less estimated costs of completion and selling expenses.

3.14 Stock based compensation

The Company recognizes compensation expense for stock-based compensation in accordance with generally accepted accounting principles. For employee stock-based awards, fair value of the award on the date of grant is calculated using the Black-Scholes method and the quoted price of the Company's common stock for stock options and unrestricted shares respectively.

The Company recognizes expense over the service period for awards expected to vest.

In case of non-employee stock-based awards, fair value of the award on the date of grant is calculated in the same manner as employee awards. However, the awards are revalued at the end of each reporting period and the pro rata compensation expense is adjusted accordingly until such time the nonemployee award is fully vested, at which time the total compensation recognized to date equals the fair value of the stock-based award as calculated on the measurement date, which is the date at which the award recipient's performance is complete. The estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised. We consider many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience.

The Black-Scholes option valuation model is used to estimate the fair value of the warrants or options granted. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the warrants or options granted.

3.15 Software Development cost

The Company accounts for software development cost in accordance with ASC 985-20 whereby cost of developing computer software to be sold, leased, or otherwise marketed includes software that is part of a product or process to be sold to a customer shall be accounted for under ASC 985-20. All cost incurred to establish technological feasibility of a computer software product to be sold, leased or otherwise marketed are research and development cost. These cost are charged to expense when incurred. The technological feasibility of a computer software product is established when the entity has completed all planning, designing, coding, and testing activities that are necessary to establish that the product can be produced to meet its design specifications including functions, features, and technical performance requirements. Cost of producing product masters incurred subsequent to establishing technological feasibility shall be capitalized. Those cost include coding and testing performed subsequent to establishing technological feasibility. Capitalization of computer software cost shall cease when the product is available for general release to customers.

Once a project reaches the development stage, the Company allocates a portion of salaries to be capitalized based on estimated hours spent developing the software.

4 Cash

This represent cash in hand and cash deposited in bank accounts (current) by the Company.

Amount in \$

| | |
|--------------------------|--------|
| Primary Checking account | 25,228 |
| Checking account | 357 |
| Undeposited funds | 5,046 |
| | 30,632 |

5 Accounts Receivables

| | |
|--------------------------------|----------|
| Opening balance | 90,483 |
| Net movement during the period | (12,151) |
| | 78,332 |

| | |
|--------------------------|----------|
| Less : Provision | (23,705) |
| Account Receivable - Net | 54,628 |

6 Inventory

| | |
|--------------------------------|---------|
| Opening balance | 7,515 |
| Net movement during the period | 139,377 |
| | 146,892 |

7 Prepaid expenses

| | |
|--------------------------------|----------|
| Opening balance | 45,019 |
| Net movement during the period | (1,703) |
| Closing balance | 43,316 |

8 Advances to suppliers

| | |
|---|-----------|
| Opening balance | 284,700 |
| Net movement in liabilities during the period | (175,930) |
| Closing balance | 108,771 |

9 Property, plant and equipment

Cost

| | |
|--------------------------------|--------|
| Opening balance | 53,625 |
| Net movement during the period | 31,964 |
| Closing balance | 85,589 |

Accumulated Depreciation

| | |
|--------------------------------|----------|
| Opening balance | (36,232) |
| Net movement during the period | (17,875) |
| Closing balance | (54,107) |
| Closing Book value | 31,482 |

10 Credit line payable - related party

| | |
|--------------------------------|---------|
| Opening balance | — |
| Net movement during the period | 397,500 |
| Closing balance | 397,500 |

11 Accounts payable

| | |
|--------------------------------|--------|
| Opening balance | 30,108 |
| Net movement during the period | 29,873 |
| Closing balance | 59,981 |

12 Deferred Revenue

| | |
|--------------------------------|-----------|
| Opening balance | 320,978 |
| Net movement during the period | (61,257) |
| Closing balance | 259,721 |

13 Due to related party

| | |
|--------------------------------|-----|
| Opening balance | 500 |
| Net movement during the period | – |
| Closing balance | 500 |

14 Notes payable

| | |
|--------------------------------|--------|
| Opening balance | 6,237 |
| Net movement during the period | 4,873 |
| Closing balance | 11,110 |

15 Notes payable - Other

| | |
|--------------------------------|--------|
| Opening balance | – |
| Net movement during the period | 50,000 |
| Closing balance | 50,000 |

16 Derivative Liabilities

| | |
|--------------------------------|-----------|
| Opening balance | 328,087 |
| Net movement during the period | (218,383) |
| Closing balance | 109,704 |

17 Convertible notes - net of discount

| | |
|--------------------------------|---------|
| Opening balance | 453,859 |
| Net movement during the period | 143,641 |
| Closing balance | 597,500 |

18 Accrued expenses and other current liabilities

| | |
|--------------------------------|---------|
| Opening balance | 152,858 |
| Net movement during the period | 16,937 |
| Closing balance | 169,795 |

19 Credit line payable - related party

| | |
|--------------------------------|-----------|
| Opening balance | 397,500 |
| Net movement during the period | (397,500) |
| Closing balance | — |

20 Revenue

| | |
|---------------------------|----------|
| Sale of Lock boxes | 363 |
| Labor services | 596 |
| Sale of Medi-01 Kit | 20,755 |
| Sale of replacement parts | 1,740 |
| Accessories sale | 4,896 |
| Other Services | 20,689 |
| Monitoring activities | 780,842 |
| Shipping and Handling | 4,914 |
| Installation Revenue | 18,100 |
| Less: Discounts | (2,257) |
| | 850,638 |

21 Cost of sales

| | |
|--------------------------|-----------|
| COG-Material Purchases | (65,132) |
| COG-Service | 16,842 |
| COG-Other | 50,732 |
| COG - Monitoring | 114,813 |
| COG-Shipping & Packaging | 28,080 |
| | 145,336 |

22 Selling expense

| | |
|------------------|--------|
| Marketing | 29,944 |
| Shipping Expense | 722 |
| Advertising | 2,575 |
| | 33,241 |

23 Interest expense

| | |
|-------------------------------|-----------|
| Bank Fees | 1,693 |
| Interest Expense - Warrants | 179,059 |
| Interest on OID | (20,417) |
| Interest for credit 3rd party | (780) |
| | 159,556 |

24 General and Administrative expense

| | |
|-------------------------------|---------|
| Bad Debt Expense | 11,058 |
| Investor Relations | 10,068 |
| Administrative Pay | 334,937 |
| Consulting | 46,109 |
| Commissions | 3,212 |
| Payroll Taxes - Employer | 68,901 |
| Insurance - Workers Comp | 770 |
| Insurance - Liability | 9,129 |
| Security Services | 500 |
| Postage | 3,587 |
| Vehicles | 28,417 |
| Gas | 8,998 |
| Vehicle Maintenance | 1,031 |
| Legal & Professional Services | 64,685 |
| Accounting | 85,500 |
| Filing Fees | 266 |

| | |
|---|-----------|
| Merchant Fees | 14,383 |
| Dues & Subscriptions | 547 |
| Depreciation - Computers & Software | 2,575 |
| Software | 32,290 |
| Depreciation - Software Development Costs | 15,300 |
| Group Health Insurance | 31,720 |
| Dental Insurance | 2,316 |
| Insurance, Vehicle | 7,920 |
| Travel - Air Lines | 24,174 |
| Travel - Car Rental | 769 |
| Travel - lodging | 5,637 |
| Entertainment | 2,550 |
| Travel - Meals | 17,783 |
| Travel - Parking tolls train cab | 5,794 |
| Office Supplies | 4,215 |
| Cleaning / Janitorial | 3,385 |
| Rent | 14,933 |
| Telephone | 25,550 |
| Utilities - Electric and Gas | 1,534 |
| Utilities - Other | 2,686 |
| Payroll Processing Fees | 3,131 |
| Stock Compensation | 3,550,000 |
| Salaries-Officer's | 117,550 |
| Conferences | — |
| Administrative Costs | 692 |
| Computer Supplies & Maintenance | 57 |
| Income Taxes - Federal | (1,721) |
| | 4,562,938 |

14 Contingencies and Commitments

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As at the end of current reporting period, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of operations and there are no proceedings in which any directors, officers or affiliates, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to the Company's interest.

