

WEARABLE HEALTH SOLUTIONS, INC.

Form 10-Q

August 24, 2018

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period ended September 30, 2017

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

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(g) of the Act:	
Section 12(b) of the Act:	(Title of Each Class)
None	None

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 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 Exchange Act). Yes No

Number of shares outstanding of each of the issuer's classes of common equity, as of August 24, 2018: 48,847,177 shares of Common Stock, par value US \$0.001

Table of Contents

PART I

ITEM 1.	<u>Financial Statements</u>	3
ITEM 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
ITEM 3.	<u>Quantitative And Qualitative Disclosure About Market Risk</u>	21
ITEM 4.	<u>Controls And Procedures</u>	21

PART II

ITEM 1.	<u>Legal Proceedings</u>	23
ITEM 1A.	<u>Risk Factors</u>	23
ITEM 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	23
ITEM 3.	<u>Default upon Senior Securities</u>	23
ITEM 4.	<u>Mine Safety Disclosures</u>	23
ITEM 5.	<u>Other Information</u>	23
ITEM 6.	<u>Exhibits</u>	23

PART I

Item 1. Financial Statements

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

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

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

As at September 30, 2017 (Unaudited)

	Notes	As at September 30, 2017 (Unaudited) (\$)
ASSETS		
Current Assets		
Cash and cash equivalents	4	7,668
Accounts receivable, net	5	88,498
Inventory	6	151,699
Prepaid expenses	7	43,316
Advances to suppliers		108,771
Total Current Assets		399,951
Property, plant and equipment, net	8	27,013
Total Assets		426,964
EQUITY & LIABILITIES		
Current Liabilities		
Credit line payable - related party		397,500
Accounts payable	9	109,030
Deferred revenue		349,549
Due to related party		500
Notes payable		77,130
Notes payable - Other		50,000
Derivative liabilities		109,704
Convertible notes payable - net of discount		597,500
Accrued expenses and other current liabilities		173,216
Total Current Liabilities		1,864,129
Credit line payable - Related party	11	-
Total Liabilities		1,864,129
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

Edgar Filing: WEARABLE HEALTH SOLUTIONS, INC. - Form 10-Q

Series D preferred Stock: \$0.0001 par value;		43
Common stock: \$0.0001 par value; 400,000,000 shares authorized	15	4,988
Additional paid in capital		16,685,314
Accumulated deficit		(18,127,525)
Total Shareholders' Equity		(1,437,166)
Total Liabilities and Shareholders' Equity		426,964

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

	Notes	For the quarter ended September 30, 2017 (Amount in \$)
Revenue	20	107,299
Cost of sales	21	(45,372)
Gross profit		61,927
Operating expenses		
Selling expense	22	(1,466)
General and administrative	24	(256,800)
Research and development		-
Income / (Loss) from operations		(196,340)
Other Income / (expense)		
Change in fair value of derivative instrument		-
Interest expense - related party		-
Interest expense		(733)
Other income		-
Net Profit / (loss) before taxes		(197,073)
Income tax		-
Net Profit / (loss)		(197,073)
Net loss per common share - Basic and Diluted		(0.00395)
Weighted average common shares outstanding - Basic & Diluted		49,878,676

Wearable Healthcare Solutions, Inc.**Statement of Shareholders' Equity****As at September 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, 2017 (Unaudited)	668	0	9,938	1	138,886	14	425,000	43	49,878,676	4,988	16,685,314	(17,930,453)	(1,240,000)
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	(197,073)	(197,073)
Issuance of common stocks for	-	-	-	-	-	-	-	-	-	-	-	-	-
As at September 30, 2017 (Unaudited)	668	0	9,938	1	138,886	14	425,000	43	49,878,676	4,988	16,685,314	(18,127,525)	(1,437,073)

Wearable Healthcare Solutions, Inc.**Statement of Cash Flows****As at September 30, 2017 (Unaudited)**

	For the quarter ended September 30, 2017	
	(Amounts in \$)	
Cash flow from operating activities		
(Loss) / profit before income tax	(197,073)
Adjustment for non cash charges and other items:		
Common stock issued for services	—	
Change in fair value of derivative instrument	—	
Amortization of debt discount and original issue discount	(75,780)
Amortization and depreciation	4,469	
Bad debt expense	—	
	(268,384)
Changes in working capital		
Decrease / (increase) in accounts receivables	(33,871)
Decrease / (increase) in inventory	(4,807)
Decrease / (increase) in prepaid expenses	—	
Decrease / (increase) in advances to suppliers	—	
(Decrease) / increase in trade and other payables	49,050	
(Decrease) / increase in accrued expenses	3,420	
(Decrease) / increase in deferred revenue	89,829	
	103,621	
Cash flow from operating activities	(164,763)
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	66,020	
Proceeds from note payable - other	—	
Cash flow from financing activities	66,020	
Increase/(decrease) in cash and cash equivalents	(98,743)

Cash and cash equivalents at beginning of the period	106,411
Cash and cash equivalents at end of the period	7,668

Wearable Healthcare Solutions, Inc.

Notes to the Financial Statements

For the quarter ended September 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 equipment is 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	3,392
Checking account	130
Undeposited funds	4,146
	7,668

5 Accounts Receivables

Opening balance	78,332
Net movement during the period	33,871
	112,203

Less : Provision	(23,705)
Account Receivable - Net	88,498

6 Inventory

Opening balance	146,892
Net movement during the period	4,807
	151,699

7 Prepaid expenses

Opening balance	43,316
Net movement during the period	–
Closing balance	43,316

8 Advances to suppliers

Opening balance	108,771
Net movement in liabilities during the period	–
Closing balance	108,771

9 Property, plant and equipment

Cost

Opening balance	85,589
Net movement during the period	–
Closing balance	85,589

Accumulated Depreciation

Opening balance	(54,107)
Net movement during the period	(4,469)
Closing balance	(58,576)
Closing Book value	27,013

10 Credit line payable - related party

Opening balance	397,500
Net movement during the period	–
Closing balance	397,500

11 Accounts payable

Opening balance	59,981
Net movement during the period	49,050
Closing balance	109,030

12 Deferred Revenue

Opening balance	259,721
Net movement during the period	89,829
Closing balance	349,549

13 Due to related party

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

14 Notes payable

Opening balance	11,110
Net movement during the period	66,020
Closing balance	77,130

15 Notes payable - Other

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

16 Derivative Liabilities

Opening balance	109,704
Net movement during the period	–
Closing balance	109,704

17 Convertible notes - net of discount

Opening balance	597,500
Net movement during the period	–
Closing balance	597,500

18 Accrued expenses and other current liabilities

Opening balance	169,795
Net movement during the period	3,420
Closing balance	173,216

19 Credit line payable - related party

Opening balance	—
Net movement during the period	—
Closing balance	—

20 Revenue

Sale of Lock boxes	630
Labor services	596
Sale of Medi-01 Kit	–
Sale of replacement parts	360
Accessories sale	120
Other Services	4,796
Monitoring activities	100,960
Shipping and Handling	1,547
Installation Revenue	–
Less: Discounts	(1,709)
	107,299

21 Cost of sales

COG-Material Purchases	2,690
COG-Service	287
COG-Other	3,413
COG - Monitoring	30,871
COG-Shipping & Packaging	8,110
	45,372

22 Selling expense

Marketing	1,466
Shipping Expense	–
Advertising	–
	1,466

23 Interest expense

Bank Fees	733
Interest Expense - Warrants	–
Interest on OID	–

Interest for credit 3rd party	–
	733

24 General and Administrative expense

Bad Debt Expense	—
Investor Relations	1,400
Administrative Pay	103,379
Consulting	6,747
Commissions	—
Payroll Taxes - Employer	42,182
Insurance - Workers Comp	1,750
Insurance - Liability	1,000
Security Services	—
Postage	595
Vehicles	7,039
Gas	1,217
Vehicle Maintenance	2,132
Legal & Professional Services	12,750
Accounting	12,600
Filing Fees	975
Merchant Fees	4,012
Dues & Subscriptions	380
Depreciation - Computers & Software	644
Software	12,986
Depreciation - Software Development Costs	3,825
Group Health Insurance	10,453
Dental Insurance	846
Insurance, Vehicle	2,502
Travel - Air Lines	4,167
Travel - Car Rental	118
Travel - lodging	104
Entertainment	612
Travel - Meals	2,310
Travel - Parking tolls train cab	1,979
Office Supplies	1,125
Cleaning / Janitorial	1,000
Rent	6,131
Telephone	7,410
Utilities - Electric and Gas	453
Utilities - Other	1,115
Payroll Processing Fees	778
Stock Compensation	—
Salaries-Officer's	84
Conferences	—
Administrative Costs	—
Computer Supplies & Maintenance	—
Income Taxes - Federal	—
	256,800

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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Cautionary Note

This Management's Discussion and Analysis should be read in conjunction with the accompanying unaudited financial statements and related notes. The discussion and analysis of our financial condition and results of operations are based upon the financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis, we review our estimates and assumptions. The estimates were based on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions. The following discussion should be read in conjunction with our unaudited interim financial statements and the related notes that appear elsewhere in this quarterly report.

This Quarterly Report on Form 10-Q for the current period ended contains "forward-looking statements" within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended, including statements that include the words "believes," "expects," "anticipates," or similar expressions. These forward-looking statements include, among others, statements concerning our expectations regarding our working capital requirements, financing requirements, business, growth prospects, competition and results of operations, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Quarterly Report on Form 10-Q involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements to differ materially from those expressed in or implied by the forward-looking statements contained herein.

Overview and Recent Events

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

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.

The Company's 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. Approximately 40% of all medical alarms currently being sold in the United States are first-generation technologies that require the user to speak and listen through a central base station unit, indicating a significant decrease in the last few years. While MediPendant™ has found success by offering a product that has the speaker in the pendant that enables the user to simply speak and listen directly through the pendant in the event of an emergency, technological advances have increased the reliability, accuracy, and distribution of cellular type devices, also known as mPERS (mobile personal emergency response systems).

The MediPendant® is designed to be worn in the bath or shower and offers a 600-foot range, so that the wearer can operate the unit from virtually anywhere within their home or on their property. The product is extremely durable, very reliable, and offers an extremely long battery life. The MediPendant® has voice prompts that alert the user of the operational status of the device. This gives the user some peace of mind during an emergency because they know with certainty that their distress signal has been activated and help is being summoned.

The Company also manufactures 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 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 GSM – Global network, 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, geo-fencing (ability to pre-set an area and alert loved ones if the user leaves or enters the pre-set area), and tracking. As of this date we have gained FCC, CE, and PTCRB approval. The initial product launch occurred during April 2017.

Additionally, the iHelp+3G will be used as the communication device for Bluetooth-enabled devices and used for collecting vital sign data and storing the data in any requested manner in encrypted HIPAA-compliant cloud servers for access by proper parties.

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 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.

Going Concern

These consolidated financial statements are presented on the basis that the Company will continue as a going concern. The going concern concept contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As reflected in the accompanying consolidated financial statements, the Company has working capital deficit, did not generate cash from its operations, had stockholders' deficit and had operating loss for prior years. These circumstances 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. Management intends to raise additional funds by way of a public or private offering, or by alternative methods. Management believes that the actions presently being taken to further implement its business plan and generate sufficient revenues provide the opportunity for the Company to continue as a going concern. 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 consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Results of Operations

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 anticipates 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.

Off-Balance Sheet Arrangements

At the end of the reporting period, the Company did not has 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 if it had engaged in such relationships.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. 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 of the 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

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

The Company intends to establish an audit committee of the board of directors as soon as practicable. It envisions that the audit committee will be primarily responsible for reviewing the services performed by the Company's independent auditors, evaluating its accounting policies and its 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.

PART II

Item 1. 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 1A. Risk Factors

The information to be reported under this Item is not required of smaller reporting companies. However, there have been no material changes from the risk factors previously disclosed in our Report on Form 8-K for the fiscal year ended immediately prior to the current reporting, filed with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Other than as noted above and previously reported on the Company's Current Reports on Form 8-K, there have been no unregistered sales of equity securities for the current reporting period.

Item 3. Defaults upon Senior Securities

There has been no default in payment of principal, interest, sinking or purchase fund installment, or any other material default, with respect to any indebtedness of the Company.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

There is no other information required to be disclosed under this item which was not previously disclosed.

Item 6. Exhibits

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

President, Chief Executive Officer and Director

(Principal Executive Officer)

Date: August 24, 2018

