

# **Health Corporation Limited and Controlled Entities**

ABN 30 116 800 269

**FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009**

**Health Corporation Limited**  
**Annual Financial Report**  
**For the Year Ended**  
**30 June 2009**

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# Company Particulars

## Health Corporation Limited

<b>Directors</b>	Graham Dunkley	Non-executive Chairman
	Ken Lee	Managing Director
	Greg Albert	Non-executive Director
	Matthew Abrahams	Non-executive Director appointed on 1 May 2009
<b>Secretary</b>	Stephen Sippel	Appointed on 28 November 2007

<b>Registered Office &amp; Principal Place of Business</b>	Suites 311 & 312, Level 3 33 Lexington Drive Norwest Business Park NSW 2153 Tel: (02) 9836 1116 Fax: (02) 9836 1192 Email: admin@hip.com.au Web: www.hip.com.au
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<b>Auditors</b>	Hall Chadwick Level 29 St Martins Tower 31 Market Street Sydney NSW 2000
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<b>Solicitors</b>	Coleman & Greig Level 9, McNamara Centre 100 George Street Parramatta NSW 2150
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<b>Share Register</b>	Registries Limited Level 7, 207 Kent Street Sydney NSW 2000
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<b>Stock Exchange Listing</b>	Health Corporation Limited shares are listed on the Australian Stock Exchange (ASX) <ul style="list-style-type: none"><li>- Code 'hea' for ordinary shares &amp;</li><li>- Code 'heao' for listed options</li></ul>
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## HEALTH CORPORATION LIMITED

ABN 30 116 800 269

### CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Health Corporation Limited is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The ASX document, *'Principles of Good Corporate Governance and Best Practice Recommendations'* ('Guidelines') applying to listed entities was published in March 2003 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets.

The Board has assessed the Company's current practice against the Guidelines and outlines its assessment below:

#### **Principle 1 - Lay solid foundations for management and oversight**

Health Corporation Limited has a Board Charter approved by the board on 14 September 2006 setting out the 'Role & Powers' of the board expectation of members and independence requirements. The Company relies heavily on the Managing Director – Ken Lee who provides the technical expertise of the company and the key daily management oversight of the operation. Financial oversight is provided by Chief Financial Officer & Company Secretary who prepares monthly and annual financial reports. The other Board members are in regular contact with the view to closely oversee the Company's operations.

#### **Principle 2 - Structure the Board to add value**

Board currently consists of three Directors and the Board as a whole is able to address the governance aspects of the Company's activities and ensure that it adheres to appropriate ethical standards.

The Directors will consider the necessity for special or separate committees as the Company grows. The Corporate Governance Charter requires the Board to comprise a minimum of 3 Directors, at least half of which must be non-executive. Currently there are three directors of which two are non-executive. The board charter requires the Chairman to be independent. The Group does not comply with the Guidelines in this regard and in regard to board independence.

#### **Principle 3 - Promote ethical and responsible decision making**

The Directors' aim is to manage its business in a way that produces positive outcomes for all stakeholders and maximises economic, social and environmental value simultaneously. In doing so, Health Corporation Limited accepts that the responsibilities flowing from this go beyond both strict legal obligations and just the financial bottom line. Transparency, the desire for fair dealing, and positive links into the community underpin our everyday activities and corporate responsibility practices. Both Directors and employees of a Corporation are subject to restrictions under the law relating to dealing in certain financial products, including securities in a company (including Health Corporation Limited), if they are in possession of inside information. Inside information is information that is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the securities of the company.

#### **Principle 4 - Safeguard integrity in financial reporting**

The Company has no Audit and Risk Committee, all matters in the Audit and Risk area are dealt with by the Directors of the Company.

The Board is in the process of implementing appropriate systems for identification and management of risk as well as internal compliance and control. The Company's auditor reviews those systems in their audit to help ensure their rigour and effectiveness. The Group complies with the Guidelines in this regard.



**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

**Principle 5 - Make timely and balanced disclosure**

The Board believes the Group's proposed practice on disclosure is consistent with the Guidelines. Policies and procedures for compliance with the disclosure requirement in the Listing Rules are included in the Corporate Governance Charter.

**Principle 6 - Respect the rights of shareholders**

The Board recognises the importance of this principle and will strive to communicate with Shareholders both regularly and clearly by electronic means and using more traditional communication methods. To that end the Company has designed its web-site to be an important basis for maintaining close on-going contact with shareholders. Shareholders are encouraged to attend and participate at general meetings. The Group's auditors will attend the annual general meetings and will be available to answer Shareholders' questions. The Directors believe that the Group's policies comply with the Guidelines in relation to the rights of Shareholders.

**Principle 7 - Recognise and manage risks**

The Board is responsible for overseeing the Company's risk management and internal control framework. The Board believes that the Group complies with the Guidelines in this regard.

**Principle 8 - Encourage enhanced performance**

The Directors recognise the need to regularly evaluate the performance of the Board and Senior Executives on an annual basis. This review will be conducted by the Nomination & Remuneration committee post the finalisation of the Annual Report. The Board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively.

**Principle 9 - Remunerate fairly and responsibly**

The Group's proposed practices in this area will be reviewed regularly to ensure compliance with the Guidelines. The Company has implemented an employee share plan. Details of remuneration of Directors during the year are disclosed in the Directors' Report. Recommendations are made to the Board by the Nomination & Remuneration Committee.

**Principle 10 - Recognise the legitimate interests of stakeholders**

The Board recognises the importance of this principle and will continue to develop and implement procedures to ensure compliance with legal and other obligations to stakeholders. The Directors believe that the Company and its policies and practices comply with the Guidelines in this area.

## HEALTH CORPORATION LIMITED

ABN 30 116 800 269

### DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2009.

#### Directors

The names of directors in office at any time during or since the end of the year are:

Graham Dunkley

Ken Lee

Greg Albert

Matthew Abrahams (appointed 1 May 2009)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

#### Company Secretary

The following person held the position of company secretary at the end of the financial year:

Stephen Sippel — Bachelor of Business (Accounting), MBA, CA. Stephen was appointed Chief Financial Officer and Company Secretary on 28 November 2007.

#### Principal Activities

The principal activities of the consolidated group during the financial year were:

- Franchising Pharmacy business & providing mezzanine finance to new franchisees.

There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

#### Operating Results

The consolidated loss of the consolidated group after providing for income tax and eliminating minority equity interests amounted to \$1,945,590

#### Dividends Paid or Recommended

No Dividends have been paid or declared for payment during the year.

#### Review of Operations

During the reporting period Health Corporation Limited has embarked upon a major restructure of its operations which is now yielding anticipated benefits and the network, operating under the banner of Health Information Pharmacy (HIP) continues to expand. During the year five new franchised stores were welcomed to the HIP group and three stores commenced under the management model one of which is new to the group and will become a flagship store for the company in Victoria.

The new management model has been finalised following significant investment, and is currently being realised in three Pharmacies, with the group currently performing due diligence on an additional two stores.

The group continues to work on a number of projects including the commercialisation of Chemconsult®, a pharmacist/patient consulting program, which will have a significant impact to the ongoing success of the business. The company has lodged a worldwide patent for Chemconsult®, and Health Corporation Limited has been able to secure a partnership agreement with a major pharmaceutical company together with payments for the holding company and member pharmacies on consultations. The partnership in existence for the last financial year has now been extended and expanded to go beyond the HIP group and to include potentially all pharmacies in Australia. The group has projected a significant increase in revenue from Chemconsult® to occur over the 2010 to 2012 forecast period.

Health Corporation Limited is making good progress and we anticipate the ongoing support and patience of our shareholders during this period of restructure and growth of the business will be rewarded.

## **HEALTH CORPORATION LIMITED**

ABN 30 116 800 269

### **After Balance Date Events**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

### **Environmental Issues**

The consolidated group's operations are not subject to any significant environmental regulation under the law of the Commonwealth or of a State or Territory.



# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## DIRECTORS' REPORT INFORMATION ON DIRECTORS

<b>Graham Dunkley</b>	—	<b>Chairman</b>
Qualifications	—	Registered Pharmacist (Sydney University) – Ph. C MACPPM
Experience	—	Appointed Chairman in 19 September 2006 and a Board member since 21 October 2006.  Graham managed six pharmacies over a thirteen year period before opening the first of 8 owned pharmacies in 1968. He started 6 pharmacies from scratch. In 1991 Graham took a year off to become the first full time Mayor of the City of Maitland.
Interest in Shares and Options	—	250,001 Ordinary Shares in Health Corporation Limited and options to acquire a further 250,000 ordinary shares.
Special Responsibilities	—	Member of the Audit & Remuneration Committee.
Directorships held in other listed entities	—	nil
<b>Ken Lee</b>	—	<b>Managing Director</b>
Qualifications	—	Bachelor of Pharmacy (Sydney University) MA/CD
Experience	—	Appointed Chairman 21 October 2005 & resigned 19 September 2006. A Board member since 21 October 2005.  The founder of the Health Corporation Limited, he is a registered Pharmacist, a member of the Pharmacy Guild of Australia and the Australian Institute of Company Directors. Ken Lee currently owns or has a financial interest in seven HIP pharmacies.
Interest in Shares and Options	—	34,642,174 Ordinary Shares in Health Corporation Limited and options to acquire a further 5,750,000 ordinary shares.
Special Responsibilities	—	Chief Executive Officer of the Group.
Directorships held in other listed entities	—	nil
<b>Greg Albert</b>	—	<b>Non-executive Director</b>
Qualifications	—	Certified Mechanical Engineer, MBA
Experience	—	Board member since 19 September 2006.  With over 25 years in sales, marketing and business development in global manufacturing companies, he has held senior roles as Managing Director and President in Asia, Europe and USA. He has owned and run his own business development consultancy firm since 1999.
Interest in Shares and Options	—	250,000 Ordinary Shares in Health Corporation Limited and options to acquire a further 250,000 ordinary shares.
Special Responsibilities	—	Member of the Audit & Remuneration committees.
Directorships held in other listed entities	—	nil

## HEALTH CORPORATION LIMITED

ABN 30 116 800 269

### DIRECTORS' REPORT INFORMATION ON DIRECTORS (CONT)

<b>Matthew Abrahams</b>	—	<b>Non-executive Director</b>
Qualifications	—	Bachelor of Arts, University of Sydney
Experience	—	Experienced businessman with expertise in founding, managing and growing businesses. Skills in strategic planning, negotiation and communication. Currently owns and operates three businesses. Former executive of Macquarie Bank and political advisor.
Interest in Shares and Options	—	50,000 held directly. 17,500 Options
Special Responsibilities	—	Nil
Directorships held in other listed entities	—	Nil

# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## DIRECTORS' REPORT

### REMUNERATION REPORT

This report details the nature and amount of remuneration for each key management person of Health Corporation Limited, and for the executives receiving the highest remuneration.

#### Remuneration policy

The remuneration policy of Health Corporation Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The board of Health Corporation Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated group is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the remuneration committee and approved by the board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The remuneration committee reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.



**DIRECTORS' REPORT**

**Performance-based remuneration**

As part of each member of the key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel are involved in and have a level of control over. The KPIs target areas the board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

**Company performance, shareholder wealth and director and executive remuneration**

**Key Management Personnel Remuneration Policy**

The board's policy for determining the nature and amount of remuneration of key management for the group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination lapse.

# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## DIRECTORS' REPORT

The remuneration committee determines the proportion of fixed and variable compensation for each key management personnel. Refer below.

### Key Management Personnel Remuneration - 2009

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, salary and commissions	Cash profit share	Non-cash benefit	Other	Super-annuation
	\$	\$	\$	\$	\$
Ken Lee	195,000	-	-	-	17,550
Graham Dunkley	30,000	-	-	-	-
Greg Albert	20,000	-	-	-	-
Matthew Abrahams	3,333	-	-	-	-
Brian Taylor	183,157	-	-	-	16,484
Stephen Sippel	153,923	-	-	-	13,853
Kaisha Park	95,385	-	-	-	8,585
	680,798	-	-	-	56,472

Key Management Person	Other Long-term Benefits	Share-based Payment		Total	Performance Related
	Other	Equity	Options		
	\$	\$	\$	\$	%
Ken Lee	-	-	-	212,550	-
Graham Dunkley	-	-	-	30,000	-
Greg Albert	-	-	-	20,000	-
Matthew Abrahams	-	-	-	3,333	-
Brian Taylor	-	-	-	199,641	-
Stephen Sippel	-	-	-	167,776	-
Kaisha Park	-	-	-	103,970	-
	-	-	-	737,270	

# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## DIRECTORS' REPORT

### Key Management Personnel Remuneration - 2008

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, salary and commissions	Cash profit share	Non-cash benefit	Other	Super-annuation
	\$	\$	\$	\$	\$
Ken Lee	150,000	-	-	-	13,500
Graham Dunkley	40,536	-	-	-	-
Brian Keen	159,057	-	-	-	3,853
Lawrence Nguyen	10,000	-	-	-	-
Greg Albert	38,141	-	-	-	-
Jack Tan	2,884	-	-	-	-
Brian Taylor	165,246	-	-	-	14,872
Stephen Sippel	101,144	-	-	-	9,103
Robert Lees	22,347	-	-	-	-
	689,355	-	-	-	41,328

  

Key Management Person	Other Long-term Benefits	Share-based Payment		Total	Performance Related
	Other	Equity	Options		
	\$	\$	\$	\$	%
Ken Lee	-	-	-	163,500	-
Graham Dunkley	-	-	-	40,536	-
Brian Keen	-	-	-	162,910	38%
Lawrence Nguyen	-	-	-	10,000	-
Greg Albert	-	-	-	38,141	-
Jack Tan	-	-	-	2,884	-
Brian Taylor	-	-	-	180,118	-
Stephen Sippel	-	-	-	110,247	-
Robert Lees	-	-	-	22,347	-
	-	-	-	730,683	-

## HEALTH CORPORATION LIMITED

ABN 30 116 800 269

### DIRECTORS' REPORT

#### Meetings of Directors

The Directors attendances at Director's meetings held during the year were:

	Directors' Meetings	
	Number eligible to attend	Number attended
Ken Lee	11	11
Graham Dunkley	11	9
Greg Albert	11	9
Matthew Abrahams	2	2

#### Retirement, Election and Continuing in Office of Directors

Mr Graham Dunkley, Ken Lee, Gregory Albert, were all re-elected at the Annual General Meeting held 27 November 2008.

As appointed directors all were eligible for re-election at the Annual General Meeting held 27 November 2008.

#### Options

At the date of this report the unissued ordinary shares of Health Corporation Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
28 August 2006	1 December 2011	\$1.20	6,250,000
31 August 2006	1 December 2011	\$1.20	410,000
9 September 2006	1 December 2011	\$1.20	1,184,000
15 December 2006	1 December 2011	\$1.20	3,105,384
8 May 2007	1 December 2011	\$1.20	474,070
30 June 2008	1 December 2011	\$1.20	1,774,970
			<hr/> 13,198,424

During the year ended 30 June 2009 and up to the date of this report, no ordinary shares of Health Corporation Limited have been issued on the exercise of options.

No amounts are unpaid on any of the shares.

No person entitled to exercise the options had or has any right by virtue of the options to participate in any share issue of any other body corporate.

#### Indemnifying Officers or Auditor

During or since the end of the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure all of the directors of the company as named above, the company secretary and all executive officers of the company against any liability incurred as such by a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the notice of the liability and the amount of the premium.

#### Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

**HEALTH CORPORATION LIMITED**

ABN 30 116 800 269

**DIRECTORS' REPORT**

**Non- audit services**

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the service provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditor during the year ended 30 June 2009.

	\$
Accounting advisory services	9,250
Due diligence investigations	11,700
	<hr/>
	20,950
	<hr/>

**Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 15 of the directors' report.

This report is made in accordance with a resolution of directors.



Ken Lee

Director

Sydney

Dated this 30<sup>th</sup> day of September 2009

**HEALTH CORPORATION LIMITED**  
**ABN 30 116 800 269**  
**AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION**  
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**  
**TO THE DIRECTORS OF HEALTH CORPORATION LIMITED**  
**AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick  
Level 29, 31 Market Street  
Sydney NSW 2000



**DREW TOWNSEND**  
Partner  
Date: 30 September 2009

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St Martins Tower  
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Partners  
Drew Townsend  
David Kenney  
Richard Albarran  
Gino Malacco  
Paul Leroy  
Steven Gladman  
Brent Kijurino  
Blair Pleash  
David Ross  
Graham Webb  
Domenic Colabretta

Associates  
Lyle Vallance  
Bill Petrovski  
Sally Saad

National Association  
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# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue	2	2,060,506	1,905,662	2,591	16,160
Other income	2	155,015	27,966	141,000	77
<b>Total Income</b>		<b>2,215,521</b>	<b>1,933,628</b>	<b>143,591</b>	<b>16,237</b>
Finance costs		(523,183)	(11,341)	(161,326)	-
Professional & consultancy fees		(558,305)	(545,691)	(243,986)	(221,906)
Marketing expenses		(326,017)	(477,932)	(956)	-
Directors fees		(68,333)	(91,217)	(68,333)	(91,217)
Depreciation		(35,468)	(47,597)	-	-
Employee benefit expenses		(1,515,889)	(1,184,389)	-	-
Licensing expenses		(120,830)	(298,945)	-	-
Occupancy expenses		(116,632)	(111,184)	-	-
Provision for doubtful debts		(547,052)	(570,202)	(92,467)	(2,528,770)
Other expenses		(349,402)	(229,369)	(198,262)	(24,530)
(Loss) before income tax	3	(1,945,590)	(1,634,239)	(621,739)	(2,850,186)
Income tax benefit	4	-	(251,839)	-	(236,773)
(Loss) attributable to members of the parent entity		(1,945,590)	(1,886,078)	(621,739)	(3,086,959)
		<b>Cents</b>	<b>Cents</b>		
Basic earnings/(loss) per share (cents per share)	7	(4.20)	(4.08)		
Diluted earnings/(loss) per share (cents per share)		(4.20)	(4.08)		

The accompanying notes form part of these financial statements.

# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## BALANCE SHEET AS AT 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	8	889,614	636,470	72,675	9,428
Trade and other receivables	9	885,646	454,472	140,557	-
Inventories	10	8,445	45,655	-	-
Other current assets	15	8,350	17,745	-	6,211
Income tax refundable	19	-	12,268	-	12,268
<b>TOTAL CURRENT ASSETS</b>		<b>1,792,055</b>	<b>1,166,610</b>	<b>213,232</b>	<b>27,907</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	9	277,006	892,983	440,120	626,742
Financial assets	11	13,778,073	-	4,161,908	6,434
Plant and equipment	13	138,522	150,438	-	-
Intangible assets	14	433,973	430,665	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>14,627,574</b>	<b>1,474,085</b>	<b>4,602,028</b>	<b>633,176</b>
<b>TOTAL ASSETS</b>		<b>16,419,629</b>	<b>2,640,695</b>	<b>4,815,260</b>	<b>661,083</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	16	1,769,827	578,924	441,077	48,132
Borrowings	17	1,449,564	-	-	-
Short-term financial liabilities	18	40,012	36,130	-	-
Short-term provisions	20	77,805	34,568	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,337,208</b>	<b>649,622</b>	<b>441,077</b>	<b>48,132</b>
<b>NON-CURRENT LIABILITIES</b>					
Trade and other payables	16	4,382,974	-	4,382,973	-
Borrowings	17	8,693,967	-	-	-
Long-term Financial liabilities	18	14,271	54,283	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>13,091,211</b>	<b>54,283</b>	<b>4,382,973</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>16,428,419</b>	<b>703,905</b>	<b>4,824,050</b>	<b>48,132</b>
<b>NET ASSETS</b>		<b>(8,790)</b>	<b>1,936,790</b>	<b>(8,790)</b>	<b>612,951</b>
<b>EQUITY</b>					
Issued capital	21	3,981,940	3,981,940	3,981,940	3,981,940
Retained earnings		(3,990,740)	(2,045,150)	(3,990,730)	(3,368,989)
Parent Interest		(8,800)	1,936,790	(8,790)	612,951
Minority equity interest		10	-	-	-
<b>Total equity</b>		<b>(8,790)</b>	<b>1,936,790</b>	<b>(8,790)</b>	<b>612,951</b>

The accompanying notes form part of these financial statements.

**HEALTH CORPORATION LIMITED**

ABN 30 116 800 269

**STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2009****Consolidated Group**

	Share Capital			Total
	Ordinary	Retained Earnings	Minority equity interest	
	\$	\$	\$	
<b>Balance at 1 July 2007</b>	3,973,190	(159,072)	-	3,814,118
Share based payments	8,750	-	-	8,750
Loss attributable to members of parent entity	-	(1,886,078)	-	(1,886,078)
<b>Balance at 30 June 2008</b>	3,981,940	(2,045,150)	-	1,936,790
Units attributable to minority unit holders			10	10
(Loss) attributable to members of parent entity	-	(1,945,590)	-	(1,945,590)
<b>Balance at 30 June 2009</b>	3,981,940	(3,990,740)	10	(8,790)

**Parent Entity**

	Share Capital		Total
	Ordinary	Retained Earnings	
	\$	\$	
<b>Balance at 1 July 2007</b>	3,973,190	(282,030)	3,691,160
Share based payments	8,750	-	8,750
Loss attributable to members of parent entity	-	(3,086,959)	(3,086,959)
<b>Balance at 30 June 2008</b>	3,981,940	(3,368,989)	612,951
Loss attributable to members of parent entity	-	(621,741)	(621,741)
<b>Balance at 30 June 2009</b>	3,981,940	(3,990,730)	(8,790)

The accompanying notes form part of these financial statements.

**HEALTH CORPORATION LIMITED**

ABN 30 116 800 269

**CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2009**

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		1,800,097	3,077,672	9,215	10,027
Payments to suppliers and employees		(1,705,224)	(3,511,734)	(24,409)	(254,530)
Finance costs		(523,183)	(11,341)	(161,326)	-
Income tax paid		12,268	(14,860)	12,268	(14,860)
Net cash provided by (used in) operating activities	24	(416,042)	(460,263)	(164,252)	(259,363)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of plant and equipment		(23,277)	(41,765)	-	-
Development of software		(19,849)	-	-	-
Loans repaid by franchisees		-	33,947	-	-
Loans to other entities		(9,395,089)	-	(4,155,474)	-
Net cash (used in) investing activities		(9,438,215)	(7,818)	(4,155,474)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of loans		-	(54,053)	-	-
Repayment to related entities		-	(299,612)	-	(21,634)
Proceeds from borrowings		10,107,401	299,392	4,382,973	281,928
Net cash provided by (used in) financing activities		10,107,401	(54,273)	4,382,973	260,294
Net increase (decrease) in cash held		253,144	(522,354)	63,247	931
Cash at beginning of year	8	636,470	1,158,824	9,428	8,497
Cash at end of year	8	889,614	636,470	72,675	9,428

The accompanying notes form part of these financial statements.



## HEALTH CORPORATION LIMITED

ABN 30 116 800 269

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The financial report includes the consolidated financial statements and notes of Health Corporation Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Health Corporation Limited as an individual parent entity ('Parent Entity').

#### Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and they have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### Accounting policies

##### a. Financial report prepared on a going concern basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The net loss after income tax for the consolidated entity for the financial year ended 30 June 2009 was \$1,945,590, (2008:\$ 1,886,078) and a deficiency of net assets of \$8,790.

The Directors nevertheless believe that it is appropriate to prepare the financial report on a going concern basis because: -

a) Following a recent restructure, the company is transitioning towards profitability and positive cash flows.

b) The company has recently introduced new income streams and exploring other avenues to increase revenue.

c) The ability to meet operating expenditure is also dependant upon future fundraising and/or the company's business opportunities generating positive cash flows.

In the event that the consolidated entity is unable to raise sufficient funds there is a significant uncertainty whether it will be able to continue as a going concern & therefore whether the Company and the consolidated entity can realise its assets and extinguish its liabilities at the amounts stated in the statement of balance sheet. In this situation, the going concern basis would not be appropriate.

##### b. Principals of consolidation

A controlled entity is an entity over which Health Corporation Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a June financial year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year ended. Where controlled entities have entered (left) the consolidated group during the year, their operating result have been included (excluded) from the date control was obtained (ceased).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been charged where necessary to ensure consistencies with those policies applied by the parent entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the group, are shown separately within the Equity section of the consolidated Balance Sheet and in the consolidated Income Statement.

**c. Income tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movement in deferred tax asset deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legal enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legal enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**Tax Consolidation**

Health Corporation Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidated legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The group notified the Australian Taxation Office that it had formed an income tax



# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

consolidated group to apply from 21 October 2005. The tax consolidated group has entered a tax funding agreement whereby each company in the group contributes to the income tax payable by the group in proportion to their contributions to the group's taxable income. Differences between the amounts of net tax assets and liabilities be derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by a distribution to the head entity.

#### d. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

##### Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Office furniture & fittings	7.5%
Plant and equipment	7.5 - 40%
Leased plant and equipment	7.5 - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### e. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

## HEALTH CORPORATION LIMITED

ABN 30 116 800 269

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

#### f. Financial Instruments

##### Initial Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

##### Classification and subsequent measurement

*Amortised cost* is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

##### Available - for - sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed determinable payments.

##### Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

##### Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.



# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### **g. Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **h. Intangibles**

##### **Intellectual Property**

Intellectual Property rights comprise various applications, intellectual knowledge and know-how. The value of intellectual property consists of the capitalised cost incurred in acquiring intellectual property less amortisation.

#### **i. Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

##### **Equity-settled compensation**

The Group operates a number of share-based compensation plans. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

#### **j. Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### **k. Inventories**

Inventories are measured at the lower costs and net realisable value.

#### **l. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

#### **m. Revenue**

Revenue from the sale of goods and franchise fees is recognised upon the delivery of goods to customers and the entering into a franchise agreement.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

#### n. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

#### o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### p. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

#### Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intellectual property for the year ended 30 June 2009. Should the projected turnover figures be outside budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intellectual property at 30 June 2009 amounting to \$420,740.

### NOTE 2: REVENUE

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Sales revenue					
— Interest received – other persons		390,369	265,544	141,000	77
— Origination and other fees		416,838	191,489	2,591	16,160
— Franchise fees		1,074,249	1,359,325	-	-
— Supplier Rebates		209,261	122,270	-	-
— Chemconsult sponsorship		124,804	-	-	-
Total Revenue		2,215,521	1,933,628	143,591	16,237



# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 3: (LOSS)/PROFIT FOR THE YEAR

#### a. Expenses

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Finance costs:				
— external	523,183	11,341	161,326	-
Total finance costs	523,183	11,341	161,326	-
Rental expenses on operating leases				
— minimum lease payments	122,651	105,607	-	-

### NOTE 4: INCOME TAX EXPENSE

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
a. The components of income tax expense comprise:				
Current tax	-	-	-	-
Deferred tax	(583,354)	(485,288)	(158,782)	(93,780)
DTA not recognised (losses)	483,133	437,550	164,690	137,286
DTA not recognised (temporary)	100,221	47,738	(5,908)	(43,506)
Reversal of future income tax benefit for prior years	-	251,842	-	236,773
	-	251,842	-	236,773
b. The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2008: 30%)	(583,677)	(490,272)	(186,522)	(855,056)
Add:				
Tax effect of:				
Non-deductible depreciation & amortisation	-	-	-	-
Other non-allowable items	323	4,984	27,790	761,276
Share options expensed during year	-	-	-	-
Less:				
Tax effect of:				
Non assessable debt written off	-	-	-	-
DTA not recognised (losses)	483,133	437,550	164,690	137,286
DTA not recognised (temporary)	100,221	47,738	(5,908)	(43,506)
Reversal of DTA from prior years	-	251,842	-	236,773
Income tax expense/(benefit)	-	251,842	-	236,773

# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 4: INCOME TAX EXPENSE (CONT'D)

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
The applicable weighted average effective tax rates are as follows:				
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note (1) occur				
- Tax losses	957,105	473,971	638,661	473,971
- Temporary differences	361,879	261,658	149,439	155,987
Total	1,318,984	735,629	788,101	629,958

### NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

a. **Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:**

Key Management Person	Position
Ken Lee	Managing Director
Graham Dunkley	Chairman & Non-executive Director
Greg Albert	Non-executive Director
Matthew Abrahams	Non-executive Director (appointed 21 May 2009)
Brian Taylor	Chief Operating Officer
Stephen Sippel	Chief Financial Officer/Company Secretary
Kaisha Park	National Human Resources Manager

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

b. **Options and Rights Holdings**

**Number of Options Held by Key Management Personnel**

	Balance 1.7.2008	Granted as Compensation	Options Exercised	Net Change Other
Ken Lee	5,750,000	-	-	-
Graham Dunkley	250,000	-	-	-
Greg Albert	250,000	-	-	-
Matthew Abrahams	17,500	-	-	-
Brian Taylor	2,100	-	-	-
Stephen Sippel	-	-	-	-
Kaisha Park	81,700	-	-	-
Total	6,351,300	-	-	-



# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

#### Number of Options Held by Key Management Personnel

	Balance 30.6.2009	Total Vested 30.6.2009	Total Exercisable 30.6.2009	Total Unexercisable 30.6.2009
Ken Lee	5,750,000	5,750,000	5,750,000	-
Graham Dunkley	250,000	250,000	250,000	-
Greg Albert	250,000	250,000	250,000	-
Matthew Abrahams	17,500	17,500	17,500	-
Brian Taylor	2,100	2,100	2,100	-
Stephen Sippel	-	-	-	-
Kaisha Park	81,700	81,700	81,700	-
Total	6,351,300	6,351,300	6,351,300	-

#### c. Shareholdings

#### Number of Shares Held by Key Management Personnel

	Balance 1.7.2008	Granted as Compensation	Options Exercised*	Net Change Other	Balance 30.6.2009
Ken Lee	34,642,174	-	-	-	34,642,174
Graham Dunkley	250,001	-	-	-	250,001
Greg Albert	250,000	-	-	-	250,000
Matthew Abrahams	35,000	-	-	15,000	50,000
Brian Taylor	10,000	-	-	-	10,000
Stephen Sippel	-	-	-	46,333	46,333
Kaisha Park	68,401	-	-	-	68,401
Total	35,255,576	-	-	61,333	35,316,909

### NOTE 6: AUDITORS' REMUNERATION

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	76,500	67,500	76,500	67,500
— accounting advisory services	9,250	18,200	9,250	18,200
— due diligence services	11,700	9,150	11,700	9,150
	97,450	94,850	97,450	94,850

**HEALTH CORPORATION LIMITED**

ABN 30 116 800 269

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 7: EARNINGS PER SHARE**

	<b>Consolidated Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
a. Reconciliation of earnings to profit or loss		
(Loss)	(1,945,590)	(1,886,078)
Earnings used to calculate basic EPS	(1,945,590)	(1,886,078)
	<hr/>	<hr/>
Earnings used in the calculation of dilutive EPS	(1,945,590)	(1,886,078)
	<b>No.</b>	<b>No.</b>
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	46,326,827	46,257,018
Weighted average number of options outstanding	-	-
	<hr/>	<hr/>
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	46,326,827	46,257,018
In accordance with AASB 133, the share options are considered to be anti-dilutive, accordingly diluted EPS reflects basic EPS.		

**NOTE 8: CASH AND CASH EQUIVALENTS**

	<b>Note</b>	<b>Consolidated Group</b>		<b>Parent Entity</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash at bank and in hand		889,614	479,025	72,675	9,428
Short-term bank deposits		-	157,445	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		889,614	636,470	72,675	9,428

The effective interest rate on short-term bank deposits was 0% (2008: 6.35%); these deposits had an average maturity of 30 days.

**Reconciliation of cash**

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	8	889,614	636,470	72,675	9,428
		<hr/>	<hr/>	<hr/>	<hr/>
		889,614	636,470	72,675	9,428

# HEALTH CORPORATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 9: TRADE & OTHER RECEIVABLES

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>CURRENT</b>				
Trade receivables	294,844	427,061	-	-
Less provisions for doubtful debts	(10,725)	(152,589)	-	-
Interest Receivable	325,640	-	140,557	-
Other receivables	230,137	150,000	-	6,211
Loan to franchisee	45,750	100,000	-	-
Less provisions for doubtful debts	-	(70,000)	-	-
	<u>885,646</u>	<u>454,472</u>	<u>140,557</u>	<u>6,211</u>
<b>NON-CURRENT</b>				
Loans to franchisees	608,650	702,052	-	-
Less provisions for non repayment of loan	(608,650)	(58,553)	-	-
Loans to controlled entities	-	-	3,061,357	3,155,512
less: provision for impairment of receivables	-	-	(2,621,237)	(2,528,770)
Loans to related entities	277,006	249,483	-	-
	<u>277,006</u>	<u>892,982</u>	<u>440,120</u>	<u>626,742</u>

#### Ageing analysis

##### a) Impaired trade receivables

As at 30 June, 2009 \$10,725 (2008: \$256,589) of the trade receivables of the Group was impaired.

The ageing of the receivables are as follows:

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
0-30	-	-	-	-
31-60	-	1,266	-	-
61-90	-	3,866	-	-
90+	10,725	251,457	-	-
	<u>10,725</u>	<u>256,589</u>	<u>-</u>	<u>-</u>

##### b) Past due but not impaired

As at 30 June, 2009, trade receivables of \$530,497 (2008:\$ 150,788) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history or default. The ageing analysis of these trade receivables is as follows:-

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
31-60 days	183,824	34,919	33,724	-
61-90 days	141,426	24,881	32,790	-
90+ days	205,247	190,987	41,253	-
	<u>530,497</u>	<u>250,787</u>	<u>107,767</u>	<u>-</u>

# HEALTH CORPORATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 9: TRADE & OTHER RECEIVABLES (CONT'D)

#### c) Interest rate risk

Information about the Group's and the parent entity's exposure to the interest rate risk in relation to trade and other receivables is provided in Note 28.

#### d) Credit terms

Credit terms which apply to trade customers are payment within 30 days from date of invoice.

#### e) Fair value and credit risk

Due to the short-term nature of these receivable, their carrying amount of each class of receivables mentioned above. Refer to Note 28 for further information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

	Balance 1.7.08	Net movement in loans	Balance 30.6.2009	Highest Balance During Period
	\$	\$	\$	\$
<b>Key management personnel Loans</b>				
2009			277,006	
2008			249,483	
<b>Loans to related entities</b>				
Mr Ken Lee	249,482	-	277,006	277,006
The above loan to Ken Lee represents unsecured loans to the following related entities:				
Ken Lee		28,246	28,426	-
Health Information Services Trust	246,774	(11,023)	235,751	-
HIP On-line Pty Limited	2,709	1,062	3,771	-
HIP Brimbank Pty Limited		9,058	9,058	-
	249,483	27,343	277,006	-

The above loans are interest free.

### NOTE 10: INVENTORIES

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
CURRENT				
At cost				
Finished goods	8,445	45,655	-	-
	8,445	45,655	-	-



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 11: FINANCIAL ASSETS

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Loans and receivables	12a	13,778,073	-	4,161,908	6,434
		13,778,073		4,161,908	6,434
Less non-current portion		(13,778,073)	-	(4,161,908)	(6,434)
Current portion		-	-	-	-
Unlisted investments, at cost		13,778,073		4,155,472	
- shares in controlled entities		-	-	6,436	6,434
		13,778,073	-	4,161,908	6,434

The carrying value of the loans and receivables are secured against pharmacy assets. The current valuation of the pharmacy assets exceeded the carry value of the investments. Valuation of the pharmacies will be performed by Independent Pharmacy Valuation Specialists on a regular basis to ensure that value of the pharmacy asset exceed the carrying value of the investment.

### NOTE 12: CONTROLLED ENTITIES

#### a. Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2009	2008
Parent Entity:			
Health Corporation Limited	Australia		
Subsidiaries of Health Corporation Limited:			
Health Information Pharmacy Franchising Pty Limited	Australia	100	100
Leverage Financing Pty Limited	Australia	100	100
Health Information Pharmacy IP Pty Limited	Australia	100	100
HIP MBA Pty Limited	Australia	100	100
HEA Management Pty Limited	Australia	100	-
Chemconsult Australia Pty Limited	Australia	100	-
Asset Trust 1	Australia	50	-

\* Percentage of voting power is in proportion to ownership

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## NOTE 13: PLANT AND EQUIPMENT

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>PLANT AND EQUIPMENT</b>				
Plant and equipment:				
At cost	73,671	61,623	-	-
Accumulated depreciation	(39,325)	(27,287)	-	-
Accumulated impairment losses	-	-	-	-
	<u>34,346</u>	<u>34,336</u>	-	-
Office furniture & fittings				
At cost	52,592	52,838	-	-
Accumulated depreciation	(11,822)	(7,193)	-	-
	<u>40,770</u>	<u>45,645</u>	-	-
Leased plant and equipment				
At cost	162,916	162,916	-	-
Accumulated depreciation	(99,510)	(92,460)	-	-
	<u>63,406</u>	<u>70,456</u>	-	-
<b>Total Plant and Equipment</b>	<u><b>138,522</b></u>	<u><b>150,437</b></u>	-	-

### a. Movements in Carrying Amounts

**Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year**

	Plant and Equipment	Office Furniture & Fittings	Leased Plant and Equipment	Total
	\$	\$	\$	\$
<b>Consolidated Group:</b>				
Balance at 1 July 2007	17,544	46,868	101,781	166,193
Additions	28,384	3,456	-	41,765
Disposals	-	-	-	-
Additions through acquisition of entity	-	-	-	-
Depreciation expense	(11,592)	(4,679)	(31,326)	(47,596)
Balance at 30 June 2008	<u>34,336</u>	<u>45,645</u>	<u>70,455</u>	<u>150,437</u>
Additions	23,051	226	-	23,277
Disposals	(6,053)	(300)	-	(6,353)
Additions through acquisition of entity	-	-	-	-
Depreciation expense	(16,988)	(4,801)	(7,050)	(28,839)
Balance at 30 June 2009	<u><b>34,346</b></u>	<u><b>40,770</b></u>	<u><b>63,406</b></u>	<u><b>138,522</b></u>

**HEALTH CORPORATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

## NOTE 14: INTANGIBLE ASSETS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Intellectual property – HIP Franchise system				
Balance at the beginning of the year	420,740	420,740	-	-
Amortisation charge	-	-	-	-
Impaired losses	-	-	-	-
Net carrying value	420,740	420,740	-	-
Software Development - Chemconsult				
Balance at the beginning of the year	9,925	-	-	-
Additions	9,924	9,925	-	-
Amortisation charge	(6,616)	-	-	-
Net carrying value	13,233	9,925	-	-
Total Intangibles	433,973	430,665	-	-

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement. Goodwill has an infinite life.

**Review of carrying value**

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period. The cash flows are discounted at a rate of 15% per annum which incorporates an appropriate risk premium. Management has based the value-in-use calculation on budgets for each reporting segment. These budgets incorporate management's best estimates of projected revenues using growth rates of 4% based on historical experience, anticipated market growth and the expected effect of company initiatives. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates of the period consistent with inflation rates applicable to the locations in which the segments operate.

**HEALTH CORPORATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

## NOTE 15: OTHER ASSETS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
Deposit paid	8,350	8,350	-	-
Prepayments	-	9,395	-	-
	8,350	17,745	-	-

## NOTE 16: TRADE AND OTHER PAYABLES

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade payables	320,728	119,248	137,965	13,437
Sundry payables and accrued expenses	491,578	326,733	23,935	34,695
Unsecured liabilities	649,078	-	279,177	-
Rebates & claims payable	295,343	114,297	-	-
Customer deposits	13,100	18,646	-	-
	1,769,827	578,924	441,077	48,132
NON-CURRENT				
Secured liabilities	280,000	-	280,000	-
Unsecured liabilities	579,642	-	579,642	-
Amounts payable to related entities	3,523,331	-	3,523,331	-
	4,382,973	-	4,382,973	-



# HEALTH CORPORATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 17: BORROWINGS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>CURRENT</b>				
Secured liabilities				
Bank loans	1,449,564	-	-	-
<b>Total current borrowings</b>	<b>1,449,564</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NON-CURRENT</b>				
Secured liabilities				
Bank loans	8,693,967	-	-	-
<b>Total non-current borrowings</b>	<b>8,693,967</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total borrowings</b>	<b>10,143,261</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
a. Total current and non-current secured liabilities:				
Bank loan	10,143,261			

#### b. Collateral Provided

The bank loan is secured by the assets of the various pharmacies for which the group has on lent these funds. Refer Note 11.

### NOTE 18: FINANCIAL LIABILITIES

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>CURRENT</b>				
Hire purchase	40,012	36,130	-	-
<b>Total current secured liabilities</b>	<b>40,012</b>	<b>36,130</b>	<b>-</b>	<b>-</b>
<b>NON-CURRENT</b>				
Hire purchase	14,271	54,283	-	-
a) Total current & non-current secured liabilities:				
Hire purchase	54,283	90,413	-	-
<b>Total non-current secured liabilities</b>	<b>54,283</b>	<b>90,413</b>	<b>-</b>	<b>-</b>

b) Hire purchase is secured by a charge over the hire purchased assets.

# HEALTH CORPORATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 19: TAX

	Consolidated Group		Parent Entity		
	2009	2008	2009	2008	
	\$	\$	\$	\$	
<b>a. Assets</b>					
<b>CURRENT</b>					
Tax refundable	-	12,268	-	12,268	
	<b>Opening Balance</b>	<b>Charged to Income</b>	<b>Charged directly to Equity</b>	<b>Changes in Tax Rate</b>	<b>Closing Balance</b>
	\$	\$	\$	\$	\$
<b>Consolidated Group</b>	4,429	56,651	190,759	-	251,839
<b>Deferred Tax Assets</b>					
Provisions	24,659	(24,659)	-	-	-
Future income tax benefits attributable to tax losses	36,421	(36,421)	-	-	-
Transaction costs on equity issue	190,759	(190,759)	-	-	-
<b>Balance at 30 June 2008</b>	<b>251,839</b>	<b>(251,839)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provisions					
Future income tax benefits attributable to tax losses					
Transaction costs on equity issue					
<b>Balance at 30 June 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Parent Entity</b>	1,692	44,322	190,759	-	236,773
<b>Deferred Tax Assets</b>					
Provisions	9,593	(9,593)			
Future income tax benefits attributable to tax losses	36,421	(36,421)			
Transaction costs on equity issue	190,759	(190,759)			
<b>Balance at 30 June 2008</b>	<b>236,773</b>	<b>(236,773)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provisions					
Future income tax benefits attributable to tax losses					
Transaction costs on equity issue					
<b>Balance at 30 June 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 20: PROVISIONS

#### CURRENT

#### Consolidated Group

	<b>Employee Benefits</b>	
	\$	
Opening balance at 1 July 2008		34,568
Additional provisions		94,122
Amounts used		(50,885)
Unused amounts reversed		-
Balance at 30 June 2009		<u>77,805</u>

#### Analysis of Total Provisions

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
Current	77,805	34,568	-	-
Non-current		-	-	-
	<u>77,805</u>	<u>34,568</u>	-	-

#### Provision for Long-term Employee Benefits

A provision has not been recognised for employee entitlements relating to long service leave as this amount is immaterial. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

# HEALTH CORPORATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 21: ISSUED CAPITAL

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
46,326,827 (2008 46,326,827) fully paid ordinary shares	3,981,940	3,981,940	3,981,940	3,981,940
	<u>3,981,940</u>	<u>3,981,940</u>	<u>3,981,940</u>	<u>3,981,940</u>

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	No.	No.	No.	No.
<b>a. Ordinary shares</b>				
At the beginning of reporting period	46,326,827	46,256,827	46,326,827	46,256,827
Shares issued during the year				
— 30 June 2008	-	70,000	-	70,000
At reporting date	<u>46,326,827</u>	<u>46,326,827</u>	<u>46,326,827</u>	<u>46,326,827</u>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

#### b. Options

- i. For information relating to the Health Corporation Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end refer to Note 25 Share-based Payments.
- ii. For information relating to share options issued to key management personnel during the financial year, refer to Note 25 Share-based Payments.

#### c) Capital risk management

The group and the parent entity's objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the group manages its capital by assessing the group's financial risk and adjusts its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 22: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>a. Finance Lease and Hire Purchase Commitments</b>					
Payable — minimum lease payments					
— not later than 12 months		43,547	43,547	-	-
— between 12 months and 5 years		14,516	58,063	-	-
— greater than 5 years			-	-	-
Minimum lease payments		58,063	101,610	-	-
Less future finance charges		(3,781)	(11,197)	-	-
Present value of minimum lease payments	17	54,283	90,413	-	-
<b>b. Operating Lease Commitments</b>					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
Payable — minimum lease payments					
— not later than 12 months		107,537	86,400	-	-
— between 12 months and 5 years		89,597	103,600	-	-
— greater than 5 years			-	-	-
		197,134	190,000	-	-

There are 2 property leases

- i. A non-cancellable lease with a 5 year term, with rent payable monthly in advance.
- ii. A non-cancellable lease with a 2 year term, with rent payable monthly in advance. An option exists to renew the lease at the end of the 2-year term for an additional term of 2 years.

### NOTE 23: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The claim submitted by a former employee and reported in previous financial periods has now been finalised for in confidential settlement. There were no provisions made in the accounts for payment of compensation under this claim. The company does not expect to incur any further liability.

Apart for the above matter there were no known contingent liabilities or contingent assets at the balance date.

# HEALTH CORPORATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 24: SEGMENT REPORTING

The consolidated entity operates in the business segment of Pharmacy within Australia split into Franchising and Leverage Finance Operations.

Primary Reporting – Business Segments	Franchising Operations	Leverage Finance Operations	Inter-segment eliminations/ unallocated	Total
Year 2009	\$	\$	\$	\$
<b>REVENUE</b>				
External revenue	1,802,408	413,113	-	2,215,521
Total segment revenue	1,802,408	413,113	-	2,215,521
Unallocated revenue				-
Total revenue				<u>2,215,521</u>
<b>RESULTS</b>				
Segment result	(1,491,600)	(453,990)	-	(1,945,590)
Unallocated expenses net of unallocated revenue				-
Loss before income tax				(1,945,590)
Income tax expense				-
Loss after income tax				<u>(1,945,590)</u>
<b>ASSETS</b>				
Segment assets	1,420,338	14,999,291	-	16,419,629
Unallocated assets				-
Total assets				<u>16,419,629</u>
<b>LIABILITIES</b>				
Segment liabilities	2,134,262	14,294,157	-	16,428,419
Unallocated liabilities				-
Total liabilities				<u>16,428,419</u>
<b>OTHER</b>				
Acquisition of non-current segment assets	23,277	-	-	23,277
Depreciation of segment assets	35,468	-	-	35,468

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 24: SEGMENT REPORTING (CONT'D)

Primary Reporting – Business Segments	Franchising Operations	Leverage Finance Operations	Inter-segment eliminations/ unallocated	Total
Year 2008	\$	\$	\$	\$
<b>REVENUE</b>				
External revenue	1,657,356	276,272		1,933,628
Total segment revenue	1,657,356	276,272		1,933,628
Unallocated revenue				
Total revenue				<u>1,933,628</u>
<b>RESULTS</b>				
Segment result	(1,690,414)	56,175		(1,634,239)
Unallocated expenses net of unallocated revenue				-
(Loss) before income tax				(1,634,239)
Income tax expense				251,839
(Loss) after income tax				<u>(1,886,078)</u>
<b>ASSETS</b>				
Segment assets	1,473,961	1,166,734	-	2,640,695
Unallocated assets				-
Total assets				<u>2,640,695</u>
<b>LIABILITIES</b>				
Segment liabilities	703,905	-	-	703,905
Unallocated liabilities				-
Total liabilities				<u>703,905</u>
<b>OTHER</b>				
Acquisition of non current segment assets	41,765	-	-	41,765
Depreciation of segment assets	47,597	-	-	47,597

### Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

# HEALTH CORPORATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 24: SEGMENT REPORTING (CONT'D)

#### Business and Geographical Segments

##### Business segments

The consolidated group has the following two business segments:

- Franchising – the company provides business systems, training, marketing, group buying services and benefits, business mentoring and support to its franchisees.
- Financing – the company provides loan to pharmacy business which are members of the group and to which the company provides a range of management services.

##### Geographical segments

The consolidated group's business segments are located in Australia.

### NOTE 25: CASH FLOW INFORMATION

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>a. Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>				
(Loss) after income tax	(1,945,590)	(1,886,078)	(621,741)	(3,086,959)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Depreciation	35,468	47,597	-	-
Non-cash share-based payments & wages	-	8,750	-	8,750
Provision for doubtful loans	547,052	128,553	92,467	2,528,770
Write off plant and equipment	6,340	-	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
Decrease/(Increase) in trade receivables	(415,424)	976,026	(46,065)	134,939
Decrease/(Increase) in other debtors	9,395	(9,395)	6,211	(6,211)
increase in inventory	37,210	(45,655)	-	-
Increase in tax refundable	12,268	(12,268)	12,268	(12,268)
Increase/(decrease) in trade payables and accruals	1,254,002	74,425	392,608	(60,566)
(Decrease)/Increase in income taxes payable	-	(2,591)	-	(2,591)
(Increase)/Decrease in deferred tax assets	-	251,839	-	236,773
Increase in provisions	43,237	8,534	-	-
<b>Cash flow from operations</b>	<b>(416,042)</b>	<b>(460,263)</b>	<b>(164,252)</b>	<b>(259,363)</b>



# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 26: SHARE-BASED PAYMENTS

There following share-based payment arrangements existed at 30 June 2009:

All options granted to key management personnel are ordinary shares in Health Corporation Limited, which confer a right of one ordinary share for every option held.

At balance date, no share option has been exercised.

	Consolidated Group				Parent Entity			
	2009		2008		2009		2008	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	2,508,424	1.20	884,070	1.20	2,508,424	1.20	884,070	1.20
Granted	-		1,774,970	1.20	-		1,774,970	1.20
Forfeited	-		(150,616)	1.20	-		(150,616)	1.20
Outstanding at year-end	2,508,424	1.20	2,508,424	1.20	2,508,424	1.20	2,508,424	1.20
Exercisable at year-end	2,508,424	1.20	2,508,424	1.20	2,508,424	1.20	2,508,424	1.20

There were no options exercised during the year ended 30 June 2009. These options had a weighted average share price of \$1.20 at exercise date.

The options outstanding at 30 June 2009 had a weighted average exercise price of \$1.20 and a weighted average remaining contractual life of 2.5 years.

The weighted average fair value of the options granted during the year was nil.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$1.20
Weighted average life of the option	2.5 years
Underlying share price	\$0.06
Expected share price volatility	25%
Risk free interest rate	3%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

Included under employee benefits expense in the income statement is nil (2008 \$8,750), and relates, in full, to equity-settled share-based payment transactions.

### NOTE 27: EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

**HEALTH CORPORATION LIMITED**

ABN 30 116 800 269

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

## NOTE 28: RELATED PARTY TRANSACTIONS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
<b>a. Transactions with Health Information Systems Trust</b>				
Opening balance	246,773	247,907	-	-
Movement during year	(11,022)	(1,134)	-	-
Loans provided by the company	235,751	246,773	-	-
<b>b. Transactions with K &amp; J Lee Partnership</b>				
Opening balance	-	294,556	-	281,928
Movement during year	-	(294,556)	-	(281,928)
Loans provided by the company	-	-	-	-
<b>c. Transactions with HIP Brimbank Pty Limited</b>				
Opening balance	-	-	-	-
Movement during year	9,058	-	-	-
Loans provided by the company	9,058	-	-	-
<b>d. Transactions with K &amp; J Lee Investment Trust</b>				
Opening balance	-	4,167	-	-
Movement during year	-	(4,167)	-	-
Loans provided by the company	-	-	-	-
<b>e. Transactions with Ken Lee</b>				
Opening balance	-	998	-	-
Movement during year	28,426	(998)	-	-
Loans provided by the company	28,426	-	-	-
<b>f. Transactions with HIP Online Pty Ltd</b>				
Opening balance	2,709	1,247	-	-
Movement during year	1,062	1,462	-	-
Loans provided by the company	3,771	2,709	-	-

# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### Note 28: RELATED PARTY TRANSACTIONS (CONT'D)

g.	<b>Sales to pharmacies related to Ken Lee</b>	430,377	443,800	-	-
h.	<b>Interest received from pharmacies related to Ken Lee</b>	325,640	106,100	-	-
i.	<b>Sales to pharmacies related to Graham Dunkley</b>	(6,473)	(10,660)	-	-
j.	<b>Interest received from pharmacies related to Graham Dunkley</b>	-	51,290	-	-
k.	<b>Interest paid or payable to an entity controlled by Ken Lee</b>	105,195	-	-	-

### NOTE 29: FINANCIAL INSTRUMENTS

#### a. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and leases.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

#### i. Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

##### *Interest rate risk*

Interest rate risk is managed with a mixture of fixed and floating rate debt.

##### *Liquidity risk*

The group manages liquidity risk by monitoring forecast cash flows.

##### *Credit risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

**HEALTH CORPORATION LIMITED**

ABN 30 116 800 269

NOTE 29: FINANCIAL INSTRUMENTS

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

Note 29: Financial Instruments (CONT)

ii. **Interest Rate Risk**

The consolidated group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities of the group are summarised in the following tables:

	Floating interest rate	Fixed Interest Rate Maturing in:			Total	Weighted average interest rate
		1 year or less	Over 1 to 5 years	Non- interest bearing		
	\$	\$	\$	\$	\$	%
<b>2009</b>						
<b>Financial assets</b>						
Cash and cash equivalents	-	-	-	889,614	889,614	-
Receivables		45,750	13,778,073	-	13,823,823	6.78
	-	45,750	13,778,073	889,614	13,823,823	
<b>Financial Liabilities:</b>						
Trade and sundry payables	-	-	-	1,769,827	1,769,827	-
Hire purchase	-	40,012	14,271	-	54,283	5.43
		40,012	14,271	1,769,827	1,824,110	



# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### Note 29: Financial Instruments (CONT)

	<u>Fixed Interest Rate Maturing in:</u>					Weighted average interest rate
	Floating interest rate	1 year or less	Over 1 to 5 years	Non-interest bearing	Total	
	\$	\$	\$	\$	\$	%
<b>2008</b>						
<b>Financial assets</b>						
Cash and cash equivalents	636,470	-	-	-	636,470	7.60
Receivables	-	30,000	643,500	673,955	1,347,455	11.10
	636,470	30,000	643,500	673,955	1,983,925	
<b>Financial Liabilities:</b>						
Bank overdraft						
Trade and sundry payables	-	-	-	578,924	578,924	-
Amounts payable to related parties-non current						
Lease liabilities						
Hire purchase	-	36,130	54,283	-	90,413	5.43
	-	36,130	54,283	578,924	669,337	

#### iii Sensitivity analysis

##### Interest rate risks

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk, price risk and credit risk. This sensitivity analysis demonstrates the effect on the current year results which could result from a change in these risks.

##### Group/parent sensitivity

At 30 June 2009, if interest rates had changed by +/-20 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$207,700 lower/higher (2008-\$37,722 lower/higher). Mainly as a result of higher/lower interest income from cash and cash equivalents.

##### Credit risk

The main exposure to credit risk as at 30 June 2009 relates to the advances to related entities of the Group amounting to \$13,778,073. These advances have been made for the purpose of funding pharmacy business. The loans are secured. The risks associated with these advances are default in payment.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

## NOTE 30: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:
  - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
  - contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
  - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
  - there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
  - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
  - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
  - where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments

## HEALTH CORPORATION LIMITED

ABN 30 116 800 269

supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.
- AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.
- AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.
- AASB Interpretation 15: Agreements for the Construction of Real Estate (applicable for annual reporting periods commencing from 1 January 2009). Under the interpretation, agreements for the construction of real estate shall be accounted for in accordance with AASB 111 where the agreement meets the definition of 'construction contract' per AASB 111 and when the significant risks and rewards of ownership of the work in progress transfer to the buyer continuously as construction progresses. Where the recognition requirements in relation to construction are satisfied but the agreement does not meet the definition of 'construction contract', revenue is to be accounted for in accordance with AASB 118. Management does not believe that this will represent a change of policy to the Group.

## HEALTH CORPORATION LIMITED

ABN 30 116 800 269

- NOTE 30: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (CONT)
  
- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 31: COMPANY DETAILS

The registered office and principal places of business of the company is:

Health Corporation Limited  
Suite 311, 33 Lexington Drive Bella Vista  
Sydney NSW 2153



## HEALTH CORPORATION LIMITED

ABN 30 116 800 269

### DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 17 to 52, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view;
3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



made in accordance with a resolution of the Board of Directors.

Director

Ken Lee

Dated this 30<sup>th</sup> day of September 2009

**HEALTH CORPORATION LIMITED**  
ABN 30 116 800 269  
**AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**HEALTH CORPORATION LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Health Corporation Limited (the company) and Health Corporation Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Health Corporation Limited on 30 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

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**Partners**

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Richard Albaron  
Gino Malacco  
Paul Leroy  
Steven Gladman  
Brent Kijurina  
Blair Pleash  
David Ross  
Graham Webb  
Domenic Colabretta

**Associates**

Lyle Vallance  
Bill Petrovski  
Sally Soad

National Association  
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HEALTH CORPORATION LIMITED  
ABN 30 116 800 269  
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
HEALTH CORPORATION LIMITED

*Auditor's Opinion*

In our opinion:

- a. the financial report of Health Corporation Limited and Health Corporation Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Without qualification to the opinion expressed above, attention is drawn to the following matters:

**Material Uncertainty Regarding Continuation as a Going Concern**

We draw attention to Note 1(a) in the financial report, which indicates that the group incurred a net loss of \$1,945,590 during the year ended 30 June 2009 and a net deficiency of net assets of \$8,790 as at 30 June 2009. These conditions along with other matters as set forth in Note 1(a), indicates the existence of a material uncertainty which may cast doubt about the group's ability to continue as a going concern.

**Significant Uncertainty Regarding the Carrying Value of Intellectual Property**

We draw attention to Note 14 in the financial report. The company has assessed the carrying value of intellectual property based on value in use calculations, which indicate that, the balance of intellectual property amounting to \$420,740 is recoverable. If the cash flow projections used in the value in use calculations are not achieved, the carrying value of intellectual property may be impaired.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the Director's Report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's Opinion**

In our opinion, the Remuneration Report of Health Corporation Limited for the year ended 30 June 2009 complies with section 300A of the Corporations Act 2001.

Hall Chadwick  
Level 29, 31 Market Street  
Sydney, NSW 2000



**DREW TOWNSEND**

Partner

Date: 30 September 2009



# HEALTH CORPORATION LIMITED

ABN 30 116 800 269

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

### 1. Shareholding

a. Distribution of Shareholders	Number	
	Ordinary	Options
Category (size of holding)		
1 – 1,000	3	0
1,001 – 5,000	258	356
5,001 – 10,000	81	42
10,001 – 100,000	91	57
100,001 – and over	32	17
	<hr/>	<hr/>
	465	472

b. The number of shareholdings held in less than marketable parcels is two.

c. The names of the substantial shareholders listed in the holding company's register as at 30 June 2009 are:

Shareholder	Number	
	Ordinary	Options
Health Information Systems Worldwide Pty Ltd <Health Info Systems A/C>	30,000,001	4,000,000
Stanbourne Pty Ltd <The BK & PK Family A/C>	1,550,000	250,000
K & J Lee Enterprises Pty Ltd <Lee Investments A/C>	1,542,172	321,230
Frensas Pty Ltd <Health Info Systems No 3 A/C>	1,250,000	-
Wellgrow Pty Ltd <Health Info Systems No 2 A/C>	1,100,000	1,000,000
Packfam Pty Ltd <Health Info Systems No 4 A/C>	750,000	750,000

### d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Redeemable and converting preference shares

— These shares have no voting rights.

### e. 20 Largest Shareholders — Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Health Information Systems Worldwide Pty Ltd <Health Info Systems A/C>	30,000,001	64.7%
2. Stanbourne Pty Ltd <The Bk & Pk Family A/C>	1,550,000	3.3%
3. K & J Lee Enterprises Pty Ltd <Lee Investments A/C>	1,542,172	3.3%
4. Frensas Pty Ltd <Health Info Systems No3 A/C>	1,250,000	2.7%
5. Wellgrow Pty Ltd <Health Info Systems No2 A/C>	1,100,000	2.4%



**HEALTH CORPORATION LIMITED**

ABN 30 116 800 269

**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES****e. 20 Largest Shareholders- Ordinary Shares (cont'd)**

<b>Name</b>	<b>Number of Ordinary Fully Paid Shares Held</b>	<b>% Held of Issued Ordinary Capital</b>
6. Packfam Pty Ltd <Health Info Systems No4 A/C>	750,000	1.6%
7. Wellgrow Pty Ltd <Lee Family A/C>	661,800	1.4%
8. Mediconsul Pty Ltd <Nguyen Family A/C>	565,969	1.2%
9. Unilease Capital Sdn Bhd	351,233	0.8%
10. W L Khoo Pty Ltd <William Khoo A/C>	310,944	0.7%
11. Mr Gregory Albert	250,000	0.5%
12. Hunter Business Coaching Pty Ltd <Vistamat Super Fund A/C>	250,000	0.5%
13. Mr David Allan Croot	226,055	0.5%
14. Ms Jennifer Ching-Man Leung <Leung Dickson Family A/C>	218,205	0.5%
15. Reinhard Business Services	202,627	0.4%
16. Mr Peter Anthony Allen <Superannuation A/C>	200,000	0.4%
17. M Calanna Holdings Pty Ltd <Mario Calanna Family S/F A/C>	200,000	0.4%
18. Ms Cheryl Lee	194,330	0.4%
19. Dallasqld Pty Ltd	169,294	0.4%
20. Mr Simon Philip McCarroll	166,666	0.4%
	<b>40,159,296</b>	<b>86.7%</b>

**f. 20 Largest Shareholders — Options**

<b>Name</b>	<b>Number of Options</b>	<b>% Held of Issued Options</b>
1. Health Information Systems Worldwide Pty Ltd <Health Info Systems A/C>	4,000,000	30.3%
2. Wellgrow Pty Ltd <Health Info Systems No2 A/C>	1,000,000	7.6%
3. Packfam Pty Ltd <Health Info Systems No4 A/C>	750,000	5.7%
4. Mediconsul Pty Ltd <Nguyen Family A/C>	666,843	5.1%
5. Captain Starlight Nominees Pty Limited	500,000	3.8%
6. W H Khoo Pty Ltd	390,927	3.0%
7. Wellgrow Pty Ltd <Lee Family A/C>	330,900	2.5%
8. Mr Ken Lee <K & J Lee Investments A/C>	321,230	2.4%
9. Stanbourne Pty Ltd <The Bk & Pk Family A/C>	250,000	1.9%
10. Mr Gregory Albert	250,000	1.9%
11. Hunter Business Coaching Pty Ltd <Vistamat Super Fund A/C>	250,000	1.9%
12. Unilease Capital Sdn Bhd	234,000	1.8%
13. Mr Liong Ang <Liong Ang Family A/C>	215,764	1.6%
14. Mr Allen Ching-Lun Huang <The Huang Investment A/C>	205,611	1.6%
15. Meng-Min Ming Lin & Hsiu-Mei Liu	144,020	1.1%
16. Mr Ken Lee <K & J Lee Investments A/C>	137,668	1.0%

## HEALTH CORPORATION LIMITED

ABN 30 116 800 269

### ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

#### f. 20 Largest Shareholders- Options (CONT'D)

Name	Number of Options	% Held of Issued Options
17. Mr Graham Clive Dunkley	109,298	0.8%
18. Mr Peter Anthony Allen <Superannuation A/C>	100,000	0.8%
19. M Calanna Holdings Pty Ltd <Mario Calanna Family S/F A/C>	100,000	0.8%
20. Mr David Allan Croot	91,500	0.7%
	<u>10,047,761</u>	<u>76.1%</u>

- The name of the company secretary is Stephen Sippel
- The address of the principal registered office in Australia is Suite 312, 33 Lexington Drive Bella Vista Sydney NSW 2153. Telephone +61 2 9836 1116
- Registers of securities are held at the following address  
Registries Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000  
Tel: 1300 737 760  
Fax: 1300 653 459
- Stock Exchange Listing**  
Quotation has been granted for the ordinary shares (hea) and options (heao) of the company on the ASX Limited.