

HEALTH CORPORATION LIMITED
ABN: 30 116 800 269

Appendix 4D

HALF-YEAR INFORMATION GIVEN TO ASX UNDER RULE 4.2A.3

This information contained in this report should be read in conjunction with the most recent annual report

1. REPORTING PERIOD

Current Reporting Period: 31-Dec-09
Previous corresponding Period: 31-Dec-08

	31-Dec-09	% Change	31-Dec-08
2. RESULTS FOR ANNOUNCEMENT TO MARKET			
Revenue from Ordinary activities	1,407,033	58%	890,105
Profit/(loss) after income tax from ordinary activities	(1,070,287)		(940,420)
Net profit for the period	(1,070,287)		(940,420)
Dividend per Share	n/a		n/a
Record date for determining entitlement to dividends No dividends have been paid or declared during the year	n/a		n/a
3. NET TANGIBLE ASSETS PER ORDINARY SHARE	-3.24		1.24
4. DETAILS OF SUBSIDIARIES			
4.1. Control gained over Entities during period	n/a		
4.2. Loss of control of Entities during the period	n/a		
5. DIVIDENDS	n/a		
6. DIVIDEND REINVESTMENT PLAN	n/a		
7. ASSOCIATED AND JOINT VENTURE ENTITIES	n/a		
8. FOREIGN ENTITIES ACCOUNTING STANDARD	n/a		
9. AUDIT DISPUTE OR QUALIFICATION	Going Concern		

As at 31 December 2009, the company incurred a loss of \$1,070,287. The Financial Report has been prepared on a going concern basis as the Directors believe it is appropriate. This opinion is based upon the projected future profits and negotiations with various parties who are prepared to invest in the company. In the event that the company will not be able to earn future profits as stated in its current projections, and negotiations with various parties fail to materialise, the Directors will consider a further capital raising.

HEALTH CORPORATION LIMITED ABN 30 116 800 269 AND CONTROLLED ENTITIES

Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2009.

Directors

The names of directors who held office during or since the end of the half-year:

Graham Dunkley (Chairman)

Ken Lee (Managing Director)

Greg Albert

Matthew Abrahams

Review of Operations

Principal Activity

The principal activity of the consolidated group during the financial period was the provision of franchising services to pharmacies and providing mezzanine finance to new franchisees.

Health Corporation Limited is the owner of the Health Information Pharmacy ("HIP) franchise system. HIP was created by pharmacists as a profitable alternative franchise model to mass merchandising models or supermarkets. It is a core belief of Health Information Pharmacies that medication should not be treated as ordinary bulk consumable commodities. Instead, HIP Stores focus on providing health solutions and reducing medication problems.

During the financial period the group patented and commercialised its Patient Medication Counselling system, Chemconsult®. The company's vision is for Chemconsult® to become the gold standard in pharmaceutical consulting and will expand the program throughout Australia and internationally.

Apart from that mentioned above there were no significant change in the nature of the consolidated group's principal activities during the financial period.

Operating Results

The consolidated loss for the group after providing for income tax and eliminating minority equity interest amounted to \$1,070,287.

Dividends Paid or Recommended

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

Review of Operations

During the reporting period Health Corporation Limited has continued with a major restructure of its operations which is now yielding anticipated benefits and the network of pharmacies, operating under the banner of Health Information Pharmacy (HIP).

The new management model was finalised in the previous reporting period following significant investment, and is currently being realised in three Pharmacies. The industry unique model manages pharmacies on behalf of pharmacists and has continued to provide income and cash flow benefits for the company.

Health Corporation continues to work on a number of projects including the commercialisation of Chemconsult®, which was launched during the reporting period with over 80 pharmacies joining the program within two months. Health Corporation expects Chemconsult® to make a significant impact to the ongoing success of the business. The company continues negotiations with some major organisations within the pharmacy industry in order to expand and enhance the Chemconsult® product being offered to Pharmacists.

In order to meet the business plans and expansion program the company continues to seek new business opportunities within the pharmacy industry

The company is making good progress and we anticipate the ongoing support and patience of our shareholders during this period of restructure and changes to the business.

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After Balance Date Events

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

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 3 for the half-year ended 31 December 2009.

This report is signed in accordance with a resolution of the Board of Directors.

Director



Ken Lee

Dated this 26th

day

February

2010

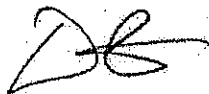
HEALTH CORPORATION LIMITED AND CONTROLLED ENTITIES
ABN 30 116 800 269

**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 half year ended 31 December 2009 there have been:

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

Hall Chadwick
Level 29, 31 Market Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Date: 26 February 2010

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David Ross
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Domenic Calabretta

Associates
Lyle Vallance
Bill Petrovski
Sally Saad

National Association
Hall Chadwick

Other Independent firms in:
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Adelaide
Gold Coast
Perth



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HEALTH CORPORATION LIMITED ABN 30 116 800 269

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED
31 DECEMBER 2009

	Consolidated Group	
	31.12.2009	31.12.2008
	\$	\$
Revenue	1,433,588	890,105
Other Income	(26,555)	12,756
Finance Costs	(610,797)	(4,190)
Professional and consultancy fees	(196,673)	(319,642)
Marketing costs	(151,963)	(188,517)
Directors fees	(44,394)	(35,000)
Employee benefits expenses	(796,541)	(774,244)
Depreciation	(18,619)	(14,182)
Licensing expenses	(49,185)	(59,954)
Occupancy expenses	(60,691)	(58,740)
Provision for doubtful debts	(443,869)	(294,892)
Other expenses from ordinary activities	(104,588)	(93,920)
Loss for the period	<u>(1,070,287)</u>	<u>(940,420)</u>
Other comprehensive income	-	-
Total comprehensive income for the period	<u>(1,070,287)</u>	<u>(940,420)</u>
Loss attributable to:		
Members of the parent entity	(1,070,287)	(940,420)
Non-controlled interest	-	-
	<u>(1,070,287)</u>	<u>(940,420)</u>
Earnings per share		
From continuing operations		
Basic earnings per share (cents per share)	(2.31)	(2.03)
Diluted earnings per share (cents per share)	<u>(2.31)</u>	<u>(2.03)</u>

The accompanying notes form part of these financial statements.

HEALTH CORPORATION LIMITED ABN 30 116 800 269
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Consolidated Group	
	31.12.2009	30.06.2009
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	500,273	889,614
Trade and other receivables	1,006,698	885,646
Inventories	5,555	8,445
Other current assets	24,369	8,350
TOTAL CURRENT ASSETS	1,536,896	1,792,055
NON-CURRENT ASSETS		
Trade and other receivables	16,432	277,006
Financial Assets	13,305,975	13,778,073
Plant and equipment	129,931	138,522
Intangible assets	439,576	433,973
TOTAL NON-CURRENT ASSETS	13,891,914	14,627,574
TOTAL ASSETS	15,428,809	16,419,629
CURRENT LIABILITIES		
Trade and other payables	2,940,880	1,769,827
Borrowings	788,256	1,449,564
Short-term financial liabilities	34,797	40,012
Short-term provisions	77,805	77,805
TOTAL CURRENT LIABILITIES	3,841,738	3,337,208
NON-CURRENT LIABILITIES		
Trade and other payables	3,882,972	4,382,974
Borrowings	8,783,177	8,693,967
Long-term financial liabilities	-	14,271
TOTAL NON-CURRENT LIABILITIES	12,666,149	13,091,211
TOTAL LIABILITIES	16,507,887	16,428,419
NET ASSETS	(1,079,078)	(8,790)
EQUITY		
Issued capital	3,981,940	3,981,940
Retained earnings	(5,061,028)	(3,990,740)
Parent Interest	(1,079,088)	(8,800)
Minority equity interest	10	10
TOTAL EQUITY	(1,079,078)	(8,790)

The accompanying notes form part of these financial statements.

**HEALTH CORPORATION LIMITED ABN 30 116 800 269
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**CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE HALF-YEAR ENDED
31 DECEMBER 2009**

	Issued Capital Ordinary	Retained Earnings	Minority equity interest	Total
	\$	\$	\$	\$
Balance at 1.7.2008	3,981,940	(2,045,150)	-	1,936,790
(Loss) attributable to members of parent entity		(940,420)	-	(940,420)
Sub-total	3,981,940	(2,985,570)	-	996,370
Balance at 31.12.2008	3,981,940	(2,985,570)	-	996,370
Balance at 1.7.2009	3,981,940	(3,990,740)	10	(8,790)
(Loss) attributable to members of parent entity		(1,070,288)		(1,070,288)
Sub-total	3,981,940	(5,061,028)	10	(1,079,078)
Balance at 31.12.2009	3,981,940	(5,061,028)	10	(1,079,078)

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Group	
	31.12.2009	31.12.2008
	\$	\$
Cash Flows from Operating Activities		
Receipts from customers	443,862	1,119,768
Payments to suppliers and employees	(492,645)	(1,610,920)
Interest received	2,206	6,806
Finance costs	(204,053)	(4,190)
Income tax paid	-	15,276
Net cash (used in) operating activities	(250,630)	(473,260)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(10,027)	(31,514)
Development of software	(9,199)	-
Loans to other entity	-	16,000
Loan repaid by other entities	472,098	-
Net cash (used in) investing activities	452,872	(15,514)
Cash Flows from Financing Activities		
Repayment of bank loans	(572,098)	-
Repayment of leases	(19,485)	-
Proceeds from borrowings	-	280,000
Net cash provided by (used in) financing activities	(591,583)	280,000
Net (decrease) in cash held	(389,341)	(208,774)
Cash at beginning of period	889,614	636,470
Cash at end of period	500,273	427,696

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Health Corporation Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2008. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: BASIS OF PREPARATION

combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.

- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- If the Group holds less than 100% of the equity interests in the acquiree and the business combination results in goodwill being recognised, the Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group elects which method to adopt for each acquisition.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

Revenue Recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

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 half-year ended 31 December 2009 was \$1,070,287, (2008: \$940,420) and a deficiency of net assets of \$1,079,078.

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 Directors are currently negotiating with parties who are prepared to invest in the company and transfer into the group a similar business and embark on future fund raising to expand the company.

The Directors therefore believe that the group will be able to pay its debts as and when they fall due.

If however, 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.

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NOTE 2: LOSS FOR THE PERIOD

All significant revenue and expense items for the period are disclosed on the face of the Consolidated Statement of Comprehensive Income.

NOTE 3: DIVIDENDS

There are no dividends paid or declared during the period.

NOTE 4: BUSINESS COMBINATIONS

There has been no acquisition or disposal of subsidiaries during the reporting period ended 31 December 2009.

NOTE 5: OPERATING SEGMENTS

SEGMENT INFORMATION

The group has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (executive management committee that makes strategic decisions).

Description of segments

Management has determined the operating segments based on reports reviewed by the executive management committee for making strategic decisions. The executive management committee comprises the chief executive officer, chief financial officer and divisional managers. The committee monitors the business based on product and geographic factors and have identified two reportable segments.

Franchising Operations

The company provides business systems, training, marketing, group buying services and benefits, business monitoring and support to its franchisees.

Financing Operations

The company provides loans to pharmacy business which are members of the group and to which the company provides a range of management services.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

All such transactions are eliminated on consolidation in the Group's financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

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NOTE 5: OPERATING SEGMENTS

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

	Franchising Operations	Financing Operations	Total
	\$	\$	\$
Segment performance			
Six months ended			
31.12.2009			
Revenue			
External sales	789,061	108,995	898,056
Interest revenue	-	508,977	508,977
Total segment revenue	789,061	617,972	1,407,033
<i>Reconciliation of segment revenue to group revenue</i>			
Segment net loss before tax	(1,042,597)	(27,691)	(1,070,288)
<i>Reconciliation of segment result to group net (loss) before tax</i>			
Unallocated items:			-
Net profit before tax from continuing operations			(1,070,288)

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	Franchising Operations	Financing Operations	Total
	\$	\$	\$
As at 31.12.2009			
Segment assets	528,929	14,735,470	15,264,399
Segment asset increases for the period:			
• capital expenditure	9,410	-	9,410
Unallocated assets:			164,410
Total group assets from continuing operations			<u>15,428,809</u>

	Franchising Operations	Financing Operations	Total
	\$	\$	\$
As at 31.12.2009			
Segment liabilities	2,335,400	14,017,487	16,352,887
<i>Reconciliation of segment liabilities to group liabilities</i>			
Inter-segment eliminations			-
Unallocated liabilities:			
• Other liabilities			155,001
Total liabilities from continuing operations			<u>16,507,888</u>

As a result of changes to the manner in which the Group's internal management reports were produced, comparative segment information would have little relevance to the current information provided and the costs to develop such relevant comparative segment information would have been excessive.

Early Adoption of AASB 2009-5

Under AASB 2009-5, annual improvements standard amends the requirement of AASB 8.23 for periods on or after 1 January 2010 so that information about segment assets only needs to be disclosed if regularly provided to the CODM. The company has elected to adopt this annual improvement early as information about segment assets is not regularly provided to the chief operating decision maker.

Going forward the Group will consider implementing internal management reports to allow the CODM to review operating segment results against the applicable operating segment assets.

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NOTE 6: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date 30 June 2009.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

There have been no other subsequent events that would have a material impact on the financial report for the period ended 31 December 2009.

NOTE 8: FINANCIAL ASSETS

	Consolidated Group	
	31.12.2009	30.06.2009
	\$	\$
Loans and receivables	13,305,975	13,778,073
	<u>13,305,975</u>	<u>13,778,073</u>
Less non-current portion	(13,305,975)	(13,778,073)
Current portion	<u>-</u>	<u>-</u>
Unlisted investments, at cost	13,305,975	13,778,073
- shares in controlled entities	-	-
	<u>13,305,975</u>	<u>13,778,073</u>

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

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Note 9: INTANGIBLE ASSETS

	Consolidated Group	
	31.12.2009	30.06.2009
	\$	\$
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	13,233	9,925
Additions	9,199	9,924
Amortisation charge	(3,596)	(6,616)
Net carrying value	18,836	13,233
Total Intangibles	439,576	433,973

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.

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 10 are in accordance with the Corporations Act 2001, including:
 - a. comply with Accounting Standard AASB 134 Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



Ken Lee

Dated this 26th day of February 2010

HEALTH CORPORATION LIMITED AND CONTROLLED ENTITIES
ABN 30 116 800 269

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
HEALTH CORPORATION LIMITED AND CONTROLLED ENTITIES**

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Health Corporation Limited and Controlled Entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the half year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half Year Financial Report

The directors of Health Corporation Limited (the company) are responsible for the preparation and fair presentation of the half year 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 half year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Health Corporation Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the consolidated entity for the half-year ended 31 December 2009 included on the website of Health Corporation Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

Independence

In conducting our review, we have complied with 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 and Controlled Entities on 26 February 2010, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Basis for Qualified Conclusion

In Note 1 to the half year financial report, the directors state their opinion that the going concern basis used in the preparation of the half year financial report is appropriate. This opinion is based on projected profits and negotiations with various parties who are prepared to invest in the company. In our opinion these circumstances are unlikely to eventuate and indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

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HEALTH CORPORATION LIMITED AND CONTROLLED ENTITIES
ABN 30 116 800 269

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
HEALTH CORPORATION LIMITED AND CONTROLLED ENTITIES**

Qualified Conclusion

Based on our review, which is not an audit, because of the omission of the information mentioned in the preceding paragraph, the half year financial report of Health Corporation Limited and Controlled Entities is not in accordance with the Corporations Act 2001 and does not:

- a. give a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
- b. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001

Without significant qualification to the conclusion expressed above, attention is to be drawn to the following matters:

Significant Uncertainty Regarding the Carrying Value of Intellectual Property

The company has assessed the carrying value of intellectual property based on value in use calculation, which indicate that, the balance of \$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.

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DREW TOWNSEND
Partner
Date: 26 February 2010

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