Health Corporation Limited and Controlled Entities

ABN 30 116 800 269

ANNUAL REPORT 2010

Contents

Corporate Directory

Directors	Jason Davis - *Appointed on 14 May 2010* Non-Executive Chairman Ken Lee Executive Director Tony Ince - *Appointed on 14 May 2010* Non-Executive Director Matthew Abrahams Non-Executive Director
Company Secretary	Rachel Jelleff - *Appointed on 8 June 2010*
Registered Office	Level 21, Allendale Square 77 St Georges Terrace Perth WA 6000 Tel: +61 8 9389 2000 Fax: +61 8 9389 2099
Principal Place of Business	33 Lexington Drive Norwest Business Park NSW 2153 Tel: +61 2 9836 1116 Fax: +61 2 9836 1192 Email: admin@hip.com.au Web: hip.com.au Level 21, Allendale Square 77 St Georges Terrace Perth WA 6000 Tel: +61 8 9389 2000 Fax: +61 8 9389 2099
Auditors	Hall Chadwick Level 29, St Martins Tower 31 Market Street Sydney NSW 2000
Solicitors	Steinepreis Paganin Lawyers Level 4, The Read Buildings 16 Milligan Street Perth WA 6000
Share Register	Registries Limited Level 7, 207 Kent Street Sydney NSW 2000
Stock Exchange Listing	Health Corporation Limited shares are listed on the Australian Stock Exchange (ASX) • Code 'HEA' for ordinary shares & • Code 'HEAO' for listed options

Directors' Report

The Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2010.

Directors

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

Jason Davis *Chairman - appointed 14 May 2010*

Ken Lee *Executive Director*

Matthew Abrahams *Non-Executive Director*

Tony Ince *Non Executive Director - appointed 14 May 2010*

Graham Dunkley *Chairman - resigned 2 June 2010*

Greg Albert *Non Executive Director - resigned 2 June 2010*

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:

Rachel Jelleff — *appointed 8 June 2010*

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 $3,180,089 (2009: $1,945,590)

Dividends Paid or Recommended

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

Review of Operations

- Continuation of existing operations in pharmacy franchise businesses.
- New Strategic Investor Group takes role in restructuring the Company and providing immediate corporate finance support.
- Changes to the composition of the Board and Key Management positions.
- Review of existing operations and new complementary business and investment opportunities in the medical/biotechnology sector.
- Completion of Share Placement 6,940,000 Shares at 0.75 cents per share to raise a total of $52,050.
- On 29 June 2010, an announcement of non-renounceable entitlement issue of 2 Shares for every 3 Shares held by Shareholders at an issue price of 0.75 cents per Share to raise an additional $266,334 in working capital.

Directors' Report

Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the Group during the year.

After Balance Date Events

- On 11 August the Company completed an Entitlements Issue. The Company allotted 35,511,218 shares at an issue price of A$0.0075 per share which raised a total $266k before costs.
- On 17 August the Company acquired a new complementary business opportunity in the bioscience industry. This acquisition fits with the Board's strategic objectives of looking to acquire new assets that may add to the Company's existing business model.

  Intramedics Pty Ltd (Intramedics) is an Australian company developing Hyper-HA, a bioscience project involved in the development of a biologically stable form of Hyaluronic Acid ("HA"). HA is a key ingredient used in cosmetics, plastic surgery, therapeutic drugs, advanced wound care and drug delivery markets. There appears to be significant opportunities to commercialise this technology across a diverse range of markets.
- Consideration for the acquisition of Intramedics is 6 million fully paid ordinary shares in the Company, which will bring the capital of the Company to 94,778,045 shares. Issue of this share consideration will require approval by shareholders at the Company's next general meeting.

No other 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.

Future Developments, Prospects and Business Strategies

The Company will continue to pursue its policy of enhancing the prospect of greater returns to its investors through further strategic investments during the next financial year. This has been the stated objective of the new investor syndicate that has funded the Company in 2010 and was instrumental to acquiring the new Intramedics business this year. In that light, the Company is currently considering a number of complementary business investments and project acquisitions. Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Directors' Report

Jason Davis	**Non-Executive Chairman** *Appointed on 14 March 2010*
Qualifications	MAppFin (Macq), Dip Fin Services (AFMA)
Experience	Mr Davis is a stockbroker and active investor in early stage companies. He has been involved in the management of public companies for 10 years.
Interest in Shares and Options	1,920,000 Ordinary Shares in Health Corporation Limited
Directorships held in other listed entities	Non-Executive Director Success Resources Global Ltd
Ken Lee	**Executive Director**
Qualifications	Bachelor of Pharmacy (Sydney University)
Experience	Mr Lee is 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. Mr Lee currently owns or has a financial interest in five HIP pharmacies.
Interest in Shares and Options	19,611,641 Ordinary Shares in Health Corporation Limited and options to acquire a further 5,750,000 ordinary shares.
Directorships held in other listed entities	Nil
Tony Ince	**Non-Executive Director** *Appointed 14 March 2010*
Qualifications	Bachelor of Business degree – FCPA (Taxation), FTIA, GAICD
Experience	Mr Ince has worked in taxation roles in his own practice and chartered accounting firms since 1987. He currently chairs the Western Australian Chamber of Commerce and Industry Taxation Committee and is a member of the Board of Surfing WA, having served on various Boards over many years.
Interest in Shares and Options	Nil
Directorships held in other listed entities	Nil
Matthew Abrahams	**Non-Executive Director**
Qualifications	Bachelor of Arts, University of Sydney
Experience	Mr Abrahams is an experienced Director. In addition to Health Corporation he is Director of Business Switch Pty Ltd, AP Corporate Services Pty Ltd and New York Capital Pty Ltd. Previously, he was an executive at Macquarie Bank.
Interest in Shares and Options	50,000 held directly. 17,500 Options
Directorships held in other listed entities	Nil
Rachel Jelleff	**Company Secretary** *Appointed 5 June 2010*
Experience	Miss Jelleff has 2 years experience in administering public companies

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.

Directors' Report

Details of Remuneration

Compensation of Key Management Personnel Remuneration – 2010

Key Management Personnel	Short-term Benefits		Post- employment Benefits				
	Cash, salary and commissions	**Other**	**Superannuation**	**Termination benefits**	**Equity**	**Share based Payment Options**	**Total**
Directors							
Jason Davis	2,634	-	-	-	-	-	2,634
Ken Lee	187,500		16,875				204,375
Matthew Abrahams	20,000	-	-	-	-	-	20,000
Tony Ince	2,634	-	-	-	-	-	2,634
Graham Dunkley*	27,500	-	-	-	-	-	27,500
Greg Albert*	18,333	-	-	-	-	-	18,333
Other Key Management Personnel							
Rachel Jelleff	436	-	-	-	-	-	436
Stephen Sippel**	144,000	5,900	13,491	22,000	-	-	185,391
Brian Taylor***	66,047	-	5,944	41,987	-	-	113,978
Kaisha Park****	44,231	-	3,981	46,753	-	-	94,965
Total	513,315	5,900	40,291	110,740	-	-	670,246

*Graham Dunkley and Greg Albert resigned on 2nd June 2010.
**Stephen Sippel resigned on 8th June 2010.
***Brian Taylor resigned on 2nd November 2009.
****Kaisha Park resigned on 27th November 2009.

Compensation of Key Management Personnel Remuneration – 2009

Key Management Personnel	Short-term Benefits		Post- employment Benefits				
	Cash, salary and commissions	**Other**	**Superannuation**	**Termination benefits**	**Equity**	**Share-based Payment Options**	**Total**
Directors							
Ken Lee	195,000	-	17,550	-	-	-	212,550
Graham Dunkley	30,000	-	-	-	-	-	30,000
Greg Albert	20,000	-	-	-	-	-	20,000
Matthew Abrahams	3,333	-	-	-	-	-	3,333
Other Key Management Personnel							
Stephen Sippel	153,923	-	13,853	-	-	-	167,776
Brian Taylor	183,157	-	16,484	-	-	-	199,641
Kaisha Park	95,385	-	8,585	-	-	-	103,970
Total	680,798	-	56,472	-	-	-	737,270

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
Jason Davis	1	1
Ken Lee	9	9
Matthew Abrahams	9	9
Tony Ince	1	1
Graham Dunkley	8	6
Greg Albert	8	8

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Health Corporation Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Stock Exchange Corporate Governance Council, and considers that the Company is in compliance with those guidelines which are of importance to the commercial operation. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. A Corporate Governance Policy is included as part of this report.

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
			13,198,424

During the year ended 30 June 2010 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.

Directors' Report

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.

Non- audit services

The Board of Directors 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 Board of Directors 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 fees for non-audit services were paid/payable to the external auditor during the year ended 30 June 2010 was $15,774.

Auditor's Independence Declaration

The Lead Auditor's Independence Declaration for the year ended 30 June 2010 has been received and can be found on page 12 of the financial report.

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

Jason Davis

Chairman

Dated 30 September 2010

HALLCHADWICK
Chartered Accountants and Business Advisers

HEALTH CORPORATION LIMITED

ABN 30 116 800 269

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

i. no contraventions of the auditor's 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
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DREW TOWNSEND
Partner
Date: 30 September 2010

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Richard Albarran
Gino Malacco
Paul Leroy
Steven Gladman
Brent Kijurina
Blair Pleash
David Ross
Graham Webb
Domenic Calabretta
Bill Petrovski

ASSOCIATES

Sally Saad
David Ingram
Lyle Vallance

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Statement of Comprehensive Income

For the year ended 30 June 2010

		CONSOLIDATED GROUP	
	Note	**30-Jun-10 $**	**30-Jun-09 $**
Revenue	2	2,742,857	2,215,521
Finance costs	3 (A)	(1,318,949)	(523,183)
Professional and consultancy fees	3 (C)	(465,435)	(558,305)
Marketing expenses		(223,625)	(326,017)
Directors fees		(93,829)	(68,333)
Depreciation		(37,039)	(35,468)
Employee benefit expenses	3(B)	(1,212,993)	(1,515,889)
Licensing expenses		(91,212)	(120,830)
Occupancy expenses		(121,252)	(116,632)
Doubtful debt expense		(1,617,543)	(547,052)
Impairment expense		(550,337)	-
Other expenses		(190,732)	(349,402)
Loss before income tax		**(3,180,089)**	**(1,945,590)**
Income tax benefit	4	-	-
Loss after income tax		**(3,180,089)**	**(1,945,590)**
Total comprehensive income/(loss) for the year		**(3,180,089)**	**(1,945,590)**
Loss attributable to:			
Members of the parent entity		(2,630,659)	(1,945,590)
Non-controlling interest		(549,430)	-
		(3,180,089)	**(1,945,590)**
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
Basic loss per share (cents)	7	(5.60)	(4.20)
Diluted loss per share (cents)	7	(5.60)	(4.20)

The accompany notes form part of these financial statements

Statement of Financial Position

As at 30 June 2010

	Note	CONSOLIDATED GROUP 30-Jun-10 $	30-Jun-09 $
CURRENT ASSETS			
Cash and cash equivalents	*8*	59,470	889,614
Trade and other receivables	*9*	69,170	774,320
Inventory	*10*	-	8,445
Other Current Assets	*15*	86,123	8,350
Total Current Assets		**214,763**	**1,680,729**
NON-CURRENT ASSETS			
Trade and other receivables	*9*	4,002	277,006
Financial Assets	*11*	13,912,935	13,778,073
Plant and equipment	*13*	-	138,522
Intangible assets	*14*	-	433,973
Total Non-Current Assets		**13,916,937**	**14,627,574**
TOTAL ASSETS		**14,131,700**	**16,308,303**
CURRENT LIABILITIES			
Trade & other payables	*16*	2,275,378	1,465,287
Borrowings	*17*	9,775,677	1,449,564
Short-term financial liabilities	*18*	4,486,912	40,012
Short term provisions	*20*	32,062	77,805
Total Current Liabilities		**16,570,029**	**3,032,668**
NON-CURRENT LIABILITIES			
Borrowings		700,000	8,693,967
Long-term financial liabilities	*18*	-	4,590,458
Total Non-Current Liabilities		**700,000**	**13,284,425**
TOTAL LIABILITIES		**17,270,029**	**16,317,093**
NET ASSETS		**(3,138,329)**	**(8,790)**
EQUITY			
Contributed equity	*21*	4,032,490	3,981,940
Retained Earnings		(6,621,399)	(3,990,740)
Parent interest		**(2,588,909)**	**(8,800)**
Non controlling interest		(549,420)	10
TOTAL EQUITY		**(3,138,329)**	**(8,790)**

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 30 June 2010

Consolidated Group	Share Capital Ordinary $	Retained Earnings $	Non Controlling Interest $	Total $
Balance at 1 July 2008	**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)
Balance at 30 June 2009	**3,981,940**	**(3,990,740)**	**10**	**(8,790)**
Loss attributable to members of parent entity	-	(2,630,659)	-	(2,630,659)
Loss attributable to non controlling interest	-	-	(549,430)	(549,430)
Shares issued during the year	52,050	-	-	52,050
Transaction costs	(1,500)			(1,500)
Balance at 30 June 2010	**4,032,490**	**(6,621,399)**	**(549,420)**	**(3,138,329)**

The accompany notes form part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2010

	Note	CONSOLIDATED GROUP 30-Jun-10 $	30-Jun-09 $
Cash flows from operating activities			
Receipts from customers		1,894,159	1,800,097
Payments to suppliers and employees		(2,262,788)	(1,705,224)
Finance costs		(673,912)	(523,183)
Income tax refund received		-	12,268
Net cash used in operating activities	*25*	(1,042,541)	(416,042)
Cash flows from investing activities			
Purchase of plant & equipment		(5,683)	(23,277)
Payments for intangible assets		(9,199)	(19,849)
Net cash used in investing activities		(14,882)	(43,126)
Cash flows from financing activities			
Repayment of loans		(1,604,258)	-
Receipts from related entities		430,099	-
Loans repaid by franchisees		1,150,888	-
Loans to other entities		(700,000)	(9,395,089)
Proceeds from issue of shares, net of cost		50,550	
Proceeds from borrowings		900,000	10,107,401
Net cash provided by/(used in) financing activities		227,279	712,312
Net (decrease)/increase in cash held		**(830,144)**	**253,144**
Cash at beginning of year		889,614	636,470
Cash at end of year	***8***	**59,470**	**889,614**

The accompany notes form part of these financial statements

Notes to the Financial Statements

The financial report includes the consolidated financial statements and notes of Health Corporation Limited and controlled entities ('Consolidated Group' or 'Group').

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial report prepared on a going concern basis
The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Consolidated Entity incurred a loss of $2,630,659 for the current year ended 30 June 2010 (2009: $1,945,590). Included within the current year loss are non cash expenses for the impairment of fixed and intangible assets of $550,337 and bad debts of $1,617,543 which relate to non profitable franchisees, majority of which have left the franchising system.

During the year, Asset Trust 1, a subsidiary of the Group, was unable to meet its bank covenants. The Directors acknowledge that the bank may call in this debt at any time. However at the date of this report the bank has taken no action and continues to provide the loan facility to Asset Trust 1.

Notwithstanding the above the Directors are satisfied the Group can continue on a going concern basis after having regard to the following mitigating factors:

- The HIP Franchising is seeking to grow the number of profitable franchisees and the Chemconsult business to increase revenue. The Company has restructured the business and staffing requirements which will result in a substantial costs saving.
- The Company has a new investor group who have recently supported raisings for additional funds when required.

The ability of the Consolidated Entity to continue to pay its debts as and when they fall due is dependent upon the growth in the HIP Franchising and Chemconsult systems, the ability to raise new capital or arrange other funding facilities.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- the Management have an appropriate plan to grow the HIP Franchising business to have a net positive cashflow for the Group;
- the Directors have an appropriate plan to raise additional funds when required and believe that the additional capital can be raised in the market

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.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a 30 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.

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. Business Combination

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer to Note 1(n)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

d. Income tax

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

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are 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 expenses 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 sell-off exists and it is intended that net settlement or simultaneous realism 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 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.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. 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:

Class of Fixed Asset	Depreciation Rate
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.

f. 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.

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.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. 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 compromise 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.

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 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.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. 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.

i. 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.

j. 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.

k. Segment Reporting

The group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a decrease in the number of reportable segments presented. In addition, the segments are reportable in a manner that is consistent with the internal reporting provided to the chief operating maker.

l. 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.

m. Inventories

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

n. 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.

o. 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.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

p. 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.

q. 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.

r. 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.

Management has taken a conservative approach given the performance of the group and fully wrote off the carrying values of the intellectual property totalling $420,740, fixed assets totalling $115,563 and software totalling $14,034 as at 30 June 2010.

s. Adoption of New and Revised Accounting Standards
During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact of the adoption of these standards and interpretations has had on the financial statements of Health Corporation Limited.

AASB 3: Business Combinations
In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. These changes apply only to business combinations which occur from 1 July 2009.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition and measurement impact
Recognition of acquisition costs – The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.
Measurement of contingent considerations – The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent where they relate to conditions or events existing at acquisition date, in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill.

Measurement of non-controlling interest – For each business combination, the acquirer must measure any non-controlling interest in the acquire either at the fair value of the non-controlling interest (the *full goodwill method*) or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous version of AASB 3 only the latter option was permitted.

Recognition of contingencies – The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability.

Business combinations achieved in stages – The revised AASB 3 requires that where a business combination is achieved in stages, any previously held equity interest is to be remeasured to fair value and the resulting gain or loss, being the difference between fair value and historical cost, is to be recognised in the statement of comprehensive income. The previous version of AASB 3 accounted for each exchange transaction separately, using cost and fair value information at the date of each exchange to determine the amount of any goodwill associated with the acquisition. It was therefore possible to compare the cost of each individual investment with the fair value of identifiable net assets acquired at each step.

Disclosure Impact
The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity.

Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement Impact
Identification and measurement of segments – AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis on internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with the inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment testing of the segment's goodwill
AASB 136: Impairment of Assets, paragraph 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment.

Therefore, due to changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure Impact
AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements
In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure Impact
Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 required all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income - The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.
The Group's financial statements now contain a statement of comprehensive income.
Other comprehensive income – The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

NOTE 2: REVENUE

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
	$	$
Interest income - other persons	605,897	390,369
Origination and other fees	-	416,838
Franchise fees	1,774,023	1,074,249
Supplier rebates	236,212	209,261
Chemconsult sponsorship	115,451	124,804
Other income	11,274	-
	2,742,857	2,215,521

Notes to the Financial Statements

NOTE 3: LOSS FOR THE YEAR

A. FINANCE COSTS

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
	$	$
Finance costs:		
External	1,318,949	523,183
Total finance costs	1,318,949	523,183
Rental expenses on operating leases:		
Minimum lease repayments	112,984	122,651

B. EMPLOYEE BENEFITS

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
	$	$
Wages and salaries	1,069,311	1,276,958
Superannuation	88,389	111,541
Other employee benefits	55,293	127,390
	1,212,993	1,515,889

C. PROFESSIONAL AND CONSULTANCY FEES

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
	$	$
Audit fees	98,987	85,657
Consulting fees	199,673	272,900
Legal fees	166,775	199,748
	465,435	558,305

Notes to the Financial Statements

NOTE 4: INCOME TAX EXPENSE

		CONSOLIDATED GROUP 2010	2009
(a)	The components of income tax expense comprise:		
	current tax	-	-
	deferred tax	(827,422)	(583,354)
	DTA not recognised (losses)	704,152	483,133
	DTA not recognised (temporary)	123,270	100,221
		-	-
b)	The prima facie tax on profit 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%	(954,027)	(583,677)
	Add:		
	Tax effect of:		
	non-deductible depreciation and amortisation		
	other non-allowable items	126,605	323
	Less:		
	Tax effect of:		
	Non-assessable debt written off		-
	DTA not recognised (losses)	704,152	483,133
	DTA not recognised (temporary)	123,270	100,221
	Reversal of DTA from prior years	-	-
	Income tax expense/(benefit)	-	-
	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	1,661,257	957,105
	Temporary Differences	485,149	361,879
	Total	2,146,406	1,318,984

Notes to the Financial Statements

NOTE 5: KEY MANAGEMENT PERSONNEL DISCLOSURES

The key management personnel disclosures include the following Directors and other key management personnel who have resigned during the year:

*Graham Dunkley and Greg Albert resigned on 2nd June 2010.
**Stephen Sippel resigned on 8th June 2010.
***Brian Taylor resigned on 2nd November 2009.
****Kaisha Park resigned on 27th November 2009.

(a) Options Holdings of Key Management Personnel
Details of options and rights held directly, indirectly or beneficially by key management personnel and their parties are as follows.

OPTION HOLDING 2010

Key Management Personnel	Balance 1.7.2009	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2010	Total Vested 30.6.2010	Total Exercisable 30.6.2010
Directors							
Jason Davis	-	-	-	-	-	-	-
Ken Lee	5,750,000	-	-	-	5,750,000	5,750,000	5,750,000
Graham Dunkley*	250,000	-	-	-	250,000	250,000	250,000
Greg Albert*	250,000	-	-	-	250,000	250,000	250,000
Matthew Abrahams	17,500	-	-	-	17,500	17,500	17,500
Tony Ince	-	-	-	-	-	-	-
Other Key Management Personnel							
Rachel Jelleff	-	-	-	-	-	-	-
Stephen Sippel**	-	-	-	-	-	-	-
Brian Taylor***	2,100	-	-	-	2,100	2,100	2,100
Kaisha Park****	81,700	-	-	-	81,700	81,700	81,700
Total	6,351,300	-	-	-	6,351,300	6,351,300	6,351,300

OPTION HOLDING 2009

Key Management Personnel	Balance 1.7.2008	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2009	Total Vested 30.6.2009	Total Exercisable 30.6.2009
Ken Lee	5,750,000	-	-	-	5,750,000	5,750,000	5,750,000
Graham Dunkley	250,000	-	-	-	250,000	250,000	250,000
Greg Albert	250,000	-	-	-	250,000	250,000	250,000
Matthew Abrahams	17,500	-	-	-	17,500	17,500	17,500
Other Key Management Personnel							
Brian Taylor	2,100	-	-	-	2,100	2,100	2,100
Stephen Sippel	-	-	-	-	-	-	-
Kaisha Park	81,700	-	-	-	81,700	81,700	81,700
Total	6,351,300	-	-	-	6,351,300	6,351,300	6,351,300

Notes to the Financial Statements

NOTE 5: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(b) Shareholdings of Key Management Personnel

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by Key Management Personnel and their parties are as follows.

SHAREHOLDINGS 2010

Key Management Personnel	Balance 1.7.2009	Granted as Compensation	Options Exercised	Net Other Changes	Balance 30.6.2010
Directors					
Jason Davis	-	-	-	1,920,000	1,920,000
Ken Lee	34,642,174	-	-	(15,030,533)	19,611,641
Graham Dunkley*	250,001	-	-	30,401	280,402
Greg Albert*	250,000	-	-	-	250,000
Matthew Abrahams	50,000	-	-	-	50,000
Tony Ince	-	-	-	-	-
Other Key Management Personnel					
Rachel Jelleff	-	-	-	-	-
Stephen Sippel**	46,333	-	-	-	46,333
Brian Taylor***	10,000	-	-	(8,800)	1,200
Kaisha Park****	68,401	-	-	-	68,401
Total	35,316,909	-	-	(13,088,932)	22,227,977

SHAREHOLDINGS 2009

Key Management Personnel	Balance 1.7.2008	Granted as Compensation	Options Exercised	Net Other Changes	Balance 30.6.2009
Directors					
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
Other Key Management Personnel					
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: AUDITOR'S REMUNERATION

	CONSOLIDATED GROUP	
	30-Jun-10 $	30-Jun-09 $
Remuneration of the auditors of the parent entity:		
Audit fees	98,987	85,657
Accounting advisory services	15,775	9,250
Due diligence fees	-	11,700
Total auditors' remuneration	114,762	106,607

Notes to the Financial Statements

NOTE 7: EARNINGS PER SHARE

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
Reconciliation of earnings to profit or loss		
Loss attributable to members of parent entity	(2,630,659)	(1,945,590)
Loss attributable to non-controlling interest	(549,430)	-
Total Loss	(3,180,089)	(1,945,590)
Earnings used in calculation of basic EPS	(2,630,659)	(1,945,590)
Earnings used in calculation of diluted EPS	(2,630,659)	(1,945,590)
	Number	Number
Weighted average number of ordinary shares and potential ordinary shares		
Weighted average number of ordinary shares used in calculating basic EPS	46,992,306	46,326,827
Weighted average number of potential ordinary shares used in calculating diluted EPS	46,992,306	46,326,827
Basic loss per share (cents per share)	**(5.60)**	**(4.20)**
Diluted loss per share (cents per share)	**(5.60)**	**(4.20)**

NOTE 8: CASH AND CASH EQUIVALENTS

	CONSOLIDATED GROUP	
	30-Jun-10 $	30-Jun-09 $
Cash at bank and in hand	59,470	889,614
	59,470	889,614

NOTE 9: TRADE AND OTHER RECEIVABLES

	CONSOLIDATED GROUP	
	30-Jun-10 $	30-Jun-09 $
Current:		
Trade receivables	379,996	294,844
Less: Provision for doubtful debts	(310,826)	(10,725)
Interest receivable	-	214,314
Other receivables	-	230,137
Loans to franchisees	-	45,750
	69,170	774,320
Non-current:		
Loans to franchisees	568,650	608,650
Loans to related entities	239,754	277,006
Less: Provision for non-repayment of loan	(804,402)	(608,650)
	4,002	277,006

Notes to the Financial Statements

NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing analysis

a) Impaired trade receivables

As at 30 June 2010 $310,829 (2009: $10,725) of the trade receivables of the Group was impaired. The ageing analysis of the trade receivables is as follows:

	CONSOLIDATED GROUP	
	30-Jun-10 $	30-Jun-09 $
0-30 days	-	-
31-60 days	17,803	-
61-90 days	10,450	-
90+ days	282,576	10,725
	310,829	10,725

b) Past due but not impaired

As at 30 June 2010, trade receivables of $32,792 (2009: $155,738) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	CONSOLIDATED GROUP	
	30-Jun-10 $	30-Jun-09 $
31-60 days	19,787	49,303
61-90 days	2,200	9,096
90+ days	10,805	97,339
	32,792	155,738

c) Interest rate risk

Information about the Group's exposure to the interest rate risk in relation to trade and other receivables is provided in Note 29.

d) Credit terms

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

e) Fair value and credit risk

Due to short-term nature of trade receivables, the carrying amount of these receivables approximates their fair value. For further information on the risk management policy of the Group and the credit quality of the trade receivables, refer to Note 29.

NOTE 10: INVENTORIES

	CONSOLIDATED GROUP	
	30-Jun-10 $	30-Jun-09 $
Opening balance	8,445	45,655
Purchases	-	13,593
Less Sales	(3,064)	(17,605)
Stock written off	(5,381)	(33,198)
Closing balance	-	8,445

Notes to the Financial Statements

NOTE 11: FINANCIAL ASSETS

	CONSOLIDATED GROUP	
	30-Jun-10 $	30-Jun-09 $
Loans and receivables	13,912,935	13,778,073

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 Valuation Specialists on a regular basis to ensure that value of the pharmacy asset exceeds the carrying value of the investment.

NOTE 12: CONTROLLED ENTITIES

	Country of incorporation	Percentage Owned (%)*	
		2010	2009
Parent Entity:			
Health Corporation Limited	Australia	100	100
Subsidiaries of Health Corporation Limited:			
Health Information Pharmacy Franchising Pty Limited	Australia	100	100
Leverage Finance Pty Limited	Australia	100	100
HIP IP Pty Limited	Australia	100	100
HEA Management Pty Limited	Australia	100	100
Chomconsult Australia Pty Limited	Australia	100	100
HIP MBA Pty Ltd	Australia	100	100
Asset Trust 1	Australia	50	50

** Percentage of voting power in proportion to ownership*

NOTE 13: PLANT AND EQUIPMENT

a) Carrying amount of Plant and Equipment

	CONSOLIDATED GROUP	
	30-Jun-10 $	30-Jun-09 $
Plant and equipment		
At cost	79,354	73,671
Accumulated depreciation	(57,986)	(39,326)
Accumulated impairment losses	(21,368)	-
	-	34,345
Office furniture and fittings		
At cost	52,593	52,593
Accumulated depreciation	(16,616)	(11,822)
Accumulated impairment losses	(35,977)	-
	-	40,771
Leased plant and equipment		
At cost	114,195	162,916
Accumulated depreciation	(55,977)	(99,510)
Accumulated impairment losses	(58,218)	-
	-	63,406
Total carrying value of Plant and equipment	**-**	**138,522**

Notes to the Financial Statements

NOTE 13: PLANT AND EQUIPMENT (CONTINUED)

b) Movement in Carrying amounts

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

CONSOLIDATED GROUP	Plant and equipment	Office furniture and fittings	Leased plant and equipment	Total
Balance at 1 July 2008	34,336	45,645	70,456	150,437
Additions	23,051	226	-	23,277
Disposals	(6,053)	(300)	-	(6,353)
Depreciation	(16,988)	(4,801)	(7,050)	(28,839)
Balance at 30 June 2009	**34,346**	**40,770**	**63,406**	**138,522**
Additions	5,683	-	-	5,683
Disposals	-	-	-	-
Impairment	(21,368)	(35,977)	(58,218)	(115,563)
Depreciation	(18,661)	(4,793)	(5,188)	(28,642)
Balance at 30 June 2010	**-**	**-**	**-**	**-**

NOTE 14: INTANGIBLE ASSETS

	CONSOLIDATED GROUP	
	30-Jun-10 $	**30-Jun-09 $**
Intellectual property - HIP Franchise system		
Balance at the beginning of the year	420,740	420,740
Impairment	(420,740)	-
Net carrying value	-	420,740
Software development - Chemconsult		
Balance at the beginning of the year	13,233	9,925
Additions	9,166	9,924
Amortisation charge	(8,365)	(6,616)
Impairment	(14,034)	-
Net carrying value	-	13,233
Total intangibles	**-**	**433,973**

Management have taken a conservative approach given the performance of the group and fully impaired the HIP Franchise system and Chemconsult software.

NOTE 15: OTHER ASSETS

	CONSOLIDATED GROUP	
	30-Jun-10 $	**30-Jun-09 $**
Current		
Deposit paid	29,016	8,350
GST receivable	57,107	-
	86,123	**8,350**

Notes to the Financial Statements

NOTE 16: TRADE AND OTHER PAYABLES

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
	$	$
Current		
Trade payables	372,865	320,713
Sundry payables and accrued expenses	1,602,241	836,131
Rebates and claims payable	287,072	295,343
Customer deposits	13,200	13,100
	2,275,378	**1,465,287**

NOTE 17: BORROWINGS

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
	$	$
Secured liabilities		
Bank loans	9,775,677	1,449,564
Total current borrowings	**9,775,677**	**1,449,564**
Non-current		
Bank loans	-	8,693,967
Total non-current borrowings	**-**	**8,693,967**
	9,775,677	**10,143,531**

a) Collateral provided:

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

The consolidated entity has classified the bank loans as current, due to Asset Trust 1, a subsidiary of the Group, being unable to meet its bank covenants. The Directors acknowledge that the bank may call in this debt at any time.

NOTE 18: FINANCIAL LIABILITIES

		CONSOLIDATED GROUP	
		30-Jun-10	30-Jun-09
		$	$
Hire purchase	*(a)*	17,878	40,012
Loan payable to director (ii)	*(b)*	230,000	-
Convertible note (i)		50,000	-
Loans payable to other entities		772,856	-
Loans payable to related entities		3,416,178	-
		4,486,912	**40,012**
Non-current			
Hire purchase	*(a)*	-	14,271
Convertible note	*(b)*	-	280,000
Loans payable to other entities		-	772,856
Loans payable to related entities		700,000	3,523,331
Total non-current borrowings		**700,000**	**4,590,458**
		5,186,912	**4,630,470**

Notes to the Financial Statements

NOTE 18: FINANCIAL LIABILITIES (CONTINUED)

a) Secured liabilities

The Groups secured financial liabilities are comprised of hire purchase liabilities which are secured by a charge over the hire purchased assets.

	CONSOLIDATED GROUP	
	30-Jun-10	**30-Jun-09**
	$	**$**
Hire purchase -current	17,878	40,012
Hire purchase – non-current	-	14,271
	17,878	54,283

b) Convertible note

(i) A convertible note deed with a two year term effect from 12th December 2008 – 12th December 2010. Interest rate of 12% per annum calculated daily, based on 365 day year. At any time prior to the maturity date Notes can be converted into ordinary shares.

(ii) A convertible note deed with a two year term effect from 4th December 2008 – 4th December 2010. Interest rate of 12% per annum calculated daily, based on 365 day year. At any time prior to the maturity date Notes can be converted into ordinary shares.
On 23 June 2010, an agreement was made between the Company and the convertible note holder to extinguish the conversion rights under the deed releasing the Company from any and all obligation to convert the notes to ordinary shares.

NOTE 19: PARENT COMPANY DISCLOSURES

	30-Jun-10	**30-Jun-09**
	$	**$**
Current Assets	608,112	213,232
Non-Current Assets	4,161,908	4,602,028
Total Assets	4,770,020	4,815,260
Current Liabilities	4,942,091	441,077
Non-Current Liabilities	700,000	4,382,973
Total Liabilities	5,642,091	4,824,050
Contributed equity	4,032,490	3,981,940
Accumulated losses	(4,904,561)	(3,990,730)
Total Equity	(872,071)	(8,790)
Loss for the year	(913,831)	(621,739)
Total comprehensive loss for the year	(913,831)	(621,739)

Notes to the Financial Statements

NOTE 20: PROVISIONS

	CONSOLIDATED GROUP	
	30-Jun-10	**30-Jun-09**
Current		
Provision for employee entitlements	32,062	77,805
	32,062	**77,805**
Reconciliation of movement in provisions		
Opening balance at the beginning of the year	**77,805**	**34,568**
Additional provisions	28,174	94,122
Amount used	(73,917)	(50,885)
Balance at the end of the year	**32,062**	**77,805**

Provision for Long-term Employee Entitlements
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.

NOTE 21: ISSUED CAPITAL

	30-Jun-10 NUMBER	30-Jun-09 NUMBER	30-Jun-10 $	30-Jun-09 $
Ordinary shares on issue, fully paid	53,266,827	46,326,827	4,032,490	3,981,940
	53,266,827	**46,326,827**	**4,032,490**	**3,981,940**

a) Reconciliation of movement in share capital

Reconciliation of share movement 2010		**No. Of Shares**	**Issue Price**	**Amount**
Opening balance at beginning of year	1/07/2009	46,326,827	-	3,981,940
Share issue	27/05/2010	6,940,000	0.0075	52,050
				4,033,990
Less costs of issue				
				(1,500)
At the end of year		53,266,827		4,032,490

Reconciliation of share movement 2009		**No. Of Shares**	**Issue Price**	**Amount**
Opening balance at beginning of year	1/07/2009	46,326,827	-	3,981,940
At the end of year		46,326,827		3,981,940

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.

Notes to the Financial Statements

NOTE 21: ISSUED CAPITAL (CONTINUED)

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 26 Share-based Payments.

ii. For information relating to share options issued to key management personnel during the financial year, refer to Note 26 Share-based Payments.

c) Capital risk management

The group's objective when managing capital is 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.

NOTE 22: CAPITAL AND LEASING COMMITMENTS

	CONSOLIDATED GROUP	
	30-Jun-10	**30-Jun-09**
	$	**$**
Payable - minimum lease payments:		
- not later than 12 months	20,608	43,547
- between 12 months and 5 years	-	14,516
- later than 5 years	-	-
Minimum lease payments	20,608	58,063
Less: Future finance charges	(2,730)	(3,781)
Present value of minimum lease payments	**17,878**	**54,282**
b) Operating lease commitments		
Non-cancellable operating leases contacted for, but not capitalised in the financial statements		
- not later than 12 months	85,880	107,537
- between 12 months and 5 years	-	89,597
- later than 5 years	-	-
	85,880	**197,134**
Total commitments	**103,758**	**251,416**

There are two property leases:

i. A non-cancellable lease with a 5 year term expiry date 30 June 2011, with rent payable monthly in advance. An option exists to renew the lease at the end of the 5-year term for further two successive periods of 5 years each.

ii. A non-cancellable lease with a 2 year term expiry date 1 March 2011, 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.

Notes to the Financial Statements

NOTE 23: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no known contingent liabilities or contingent assets at the balance date.

NOTE 24: SEGMENT REPORTING

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

This is the first reporting period in which AASB 8*: Operating Segments* has been adopted. Previously, operating segments were identified and presented by business and geographical areas in accordance with AASB 14: *Segment Reporting*.

Description of segments

Management has determined the operating segments based on reports reviewed by the executive management team for making strategic decisions. These reports show the performance of each entity within the Group. Accordingly, the executive management team has identified the following reportable segments:

- Franchising
- Leverage Finance

Segment reporting – 30 June 2010	Franchising Operations $	Leverage Finance Operations $	Total $
Revenue			
External revenue	1,272,066	1,470,791	2,742,857
Total segment revenue	1,272,066	1,470,791	2,742,857
Results			
Segment result	(1,887,578)	(1,292,511)	(3,180,089)
Loss before income tax	(1,887,578)	(1,292,511)	(3,180,089)
Income tax expense	-	-	-
Loss after income tax	(1,887,578)	(1,292,511)	(3,180,089)
Assets			
Segment assets	198,235	13,933,465	14,131,700
Total assets	198,235	13,933,465	14,131,700
Liabilities			
Segment liabilities	(6,400,063)	(10,869,966)	(17,270,029)
Total liabilities	(6,400,063)	(10,869,966)	(17,270,029)
Other			
Acquisition of non-current segment assets	14,849	-	14,849
Depreciation of segment assets	37,039	-	37,039

Notes to the Financial Statements

NOTE 24: SEGMENT REPORTING (CONTINUED)

Segment reporting – 30 June 2009	Franchising Operations $	Leverage Finance Operations $	Total $
Revenue			
External revenue	1,802,408	413,113	2,215,521
Total segment revenue	1,802,408	413,113	2,215,521
Results			
Segment result	(1,491,600)	(453,990)	(1,945,590)
Loss before income tax	(1,491,600)	(453,990)	(1,945,590)
Income tax expense	-	-	-
Loss after income tax	(1,491,600)	(453,990)	(1,945,590)
Assets			
Segment assets	1,420,338	14,999,291	16,419,629
Total assets	1,420,338	14,999,291	16,419,629
Liabilities			
Segment liabilities	2,134,262	14,294,157	16,428,419
Total liabilities	2,134,262	14,294,157	16,428,419
Other			
Acquisition of non-current segment assets	23,277	-	23,277
Depreciation of segment assets	35,468	-	35,468

Notes to the Financial Statements

NOTE 25: CASH FLOW INFORMATION

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
Reconciliation of Cash Flow from Operations with loss after Income Tax	$	$
Loss after income tax	(3,180,089)	(1,945,590)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss		
Depreciation	37,039	35,468
Provision for doubtful loans	940,304	547,052
Write off plant and equipment	115,563	6,340
Write off Intangible assets	434,774	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase) in trade and other receivable	(162,925)	(406,029)
Decrease in inventory	8,445	37,210
Increase in tax refundable	-	12,268
Increase in trade payables and accruals	810,091	1,254,002
(Decrease) / increase in provisions	(45,743)	43,237
Cash flow from operations	**(1,042,541)**	**(416,042)**

NOTE 26: SHARE-BASED PAYMENTS

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
CONSOLIDATED GROUP	NUMBER	$	NUMBER	$
Outstanding at the beginning of the year	2,508,424	1.20	2,508,424	1.20
Outstanding at year-end	2,508,424	1.20	2,508,424	1.20
Exercisable at year-end	2,508,424	1.20	2,508,424	1.20

There were no options exercised during the year ended 30 June 2010. These options had a weighted average share price of $1.20 at exercise date.

The options outstanding at 30 June 2010 had a weighted average exercise price of $1.20 and a weighted average remaining contractual life of 1.5 years.

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

NOTE 27: EVENTS AFTER THE BALANCE SHEET DATE

On 11 August the Company completed an Entitlements Issue. The Company allotted 35,511,218 shares at an issue price of A$0.0075 per share which raised a total $266k before costs.
On the 17 August the Company acquired a new complementary business opportunity in the bioscience industry. This acquisition fits with the Board's strategic objectives of looking to acquire new assets that may add to the Company's existing business model.

Notes to the Financial Statements

NOTE 27: EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

Intramedics Pty Ltd (Intramedics) is an Australian company developing Hyper-HA, a bioscience project involved in the development of a biologically stable form of Hyaluronic Acid (“HA”). HA is a key ingredient used in cosmetics, plastic surgery, therapeutic drugs, advanced wound care and drug delivery markets. There appears to be significant opportunities to commercialise this technology across a diverse range of markets.
Consideration for the acquisition of Intramedics is 6 million fully paid ordinary shares in the Company, which will bring the capital of the Company to 94,778,045 shares. Issue of this share consideration will require approval by shareholders at the Company’s next general meeting.

There have been no other subsequent events that would have a material impact on the financial report for the period ended 30 June 2010.

NOTE 28: RELATED PARTY TRANSACTIONS

Key management personnel loans

Loans to/(from) Ken Lee and related parties

	Balance at 1-Jul-09 $	Net movement in loans $	Balance at 30-Jun-10 $
Non interest bearing loans			
Mr Ken Lee	28,426	(258,394)	(229,968)
Health Information Services Trust	235,751	(23,000)	212,751
HIP On-Line Pty Limited	3,771	200	3,971
HIP Brimbank Pty Limited	(490,942)	(369,342)	(860,284)
K & J Lee Partnership(HIP C)	-	(180,000)	(180,000)
HIP Morningside	-	(29,563)	(29,563)
Interest bearing loans			
Ken & Julia Lee Partnership	(2,443,689)	-	(2,443,689)
HIP Qld Pty Ltd	(579,642)	-	(579,642)
Loans secured by pharmacies			
HIP Brimbank Pty Limited	5,252,500	365,000	5,617,500
HIP Castle Hill Pty Ltd	4,000,346	(153,796)	3,846,550
HIP Morningside Pty Ltd	4,525,227	(76,342)	4,448,885
	10,531,748	(725,237)	9,806,511

Loans to/(from) Ken Lee and related parties

	Balance at 1-Jul-08 $	Net movement in loans $	Balance at 30-Jun-09 $
Non interest bearing loans			
Mr Ken Lee	-	28,426	28,426
Health Information Services Trust	246,773	(11,022)	235,751
HIP On-Line Pty Limited	2,709	1,062	3,771
HIP Brimbank Pty Limited	-	(490,942)	(490,942)
Interest bearing loans			
Ken & Julia Lee Partnership	(2,443,689)	-	(2,443,689)
HIP Qld Pty Ltd	(579,642)	-	(579,642)
Loans secured by pharmacies			
HIP Brimbank Pty Limited	-	5,252,500	5,252,500
HIP Castle Hill Pty Ltd	-	4,000,346	4,000,346
HIP Morningside Pty Ltd	-	4,525,227	4,525,227
	(2,773,849)	13,305,597	10,531,748

Notes to the Financial Statements

NOTE 28: RELATED PARTY TRANSACTIONS (CONTINUED)

Other related transactions- Ken Lee and related parties

	CONSOLIDATED GROUP	
	2010	**2009**
	$	**$**
Sales to pharmacies related to Ken Lee	264,419	430,377
Interest received or receivable from pharmacies related to Ken Lee	603,422	325,640
Interest paid or payable to an entity controlled by Ken Lee	338,077	105,195

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTE 29: FINANCIAL RISK MANAGEMENT

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

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.

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:

Notes to the Financial Statements

NOTE 29: FINANCIAL RISK MANAGEMENT (CONTINUED)

2010	Floating interest rate $	1 Year or less $	Over 1 to 5 years $	Non-interest bearing $	Total $	Weighted average interest rate %
Financial assets						
Cash and cash equivalents	-	-	-	59,470	59,470	
Receivables	-	-	13,912,935	73,172	13,986,107	6.02
	-	-	13,912,935	132,642	14,045,577	
Financial liabilities						
Trade and sundry payables	-	-	-	2,275,378	2,275,378	
Hire purchase	-	17,878		-	17,878	5.43
Loans payable to Directors		230,000			230,000	12.00
Convertible note		50,000			50,000	12.00
Loans payable to other entities		772,856			772,856	10.19
Loans payable to related entities		3,416,178	700,000		4,116,178	10.19
Bank Loan	9,775,677				9,775,677	6.02
	9,775,677	4,486,912	700,000	2,275,378	17,237,967	
2009	**$**	**$**	**$**	**$**	**$**	**%**
Financial assets						
Cash and cash equivalents	-	-	-	889,614	889,614	
Receivables	-	45,750	13,778,073	1,005,576	14,829,399	6.78
	-	45,750	13,778,073	1,895,190	15,719,013	
Financial liabilities						
Trade and sundry payables	-	-	-	1,465,287	1,465,287	-
Hire purchase	-	40,012	14,271	-	54,283	5.43
Bank Loan	-	1,449,504	8,693,967	-	10,143,531	5.84
Convertible note	-	-	280,000	-	280,000	12.00
Loans payable to other entities	-	-	772,856	-	772,856	10.19
Loans payable to related entities	-	-	3,523,331	-	3,523,331	10.19
	-	1,489,516	13,284,425	1,465,287	16,239,288	

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 sensitivity

At 30 June 2010, 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 Nil effect. This is due to the fixed financing interest rates and NAB loan interest payable being equal to the interest receivable from the loans receivables. (2009: $207,700 lower/higher). This results mainly from higher/lower interest income from cash and cash equivalents.

Notes to the Financial Statements

NOTE 29: FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

The main exposure to credit risk as at 30 June 2010 relates to the advances to related entities of the Group amounting to $13,912,935 (2009: $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.

NOTE 30: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvement Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

- AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash settled Share-based Payment Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 - Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

- AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issue [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.

- AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement AASB 14 make amendments to Interpretation 14 AASB 119 - The Limit on a Defined Benefit Asset Minimum Funding Requirements removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the Group's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 13 to 44, 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 2010 and of the performance for the year ended on that date of the 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.

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

Jason Davis

Chairman

Dated 30 September 2010

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, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 IFRS.

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 controls 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.

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HALLCHADWICK
Chartered Accountants and Business Advisers

HEALTH CORPORATION LIMITED
ABN 30 116 800 269
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HEALTH CORPORATION LIMITED

Basis for Qualified Auditor's Opinion

Going Concern

In Note 1(a) of the financial report, the directors state their opinion that the going concern basis used in the preparation of the financial report is appropriate. At the date of our report, a subsidiary of the company has not complied with its bank covenants or obtained a waiver for the breaches of its bank covenants. In our opinion, unless the bank issues a waiver for the breaches of its covenants, the group and the subsidiary will not be able to continue as a going concern. Hence we have been unable to satisfy ourselves that the going concern basis is appropriate for both the group and the subsidiary. If the going concern basis is not appropriate, the group and its subsidiary may be unable to realise their assets and discharge their liabilities in the normal course of business and at the amounts stated in the financial report.

Auditor's Opinion

In our opinion, except for the effects of such adjustments ,if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding the matter referred to in the preceding paragraph:

a) the financial report of Health Corporation Limited is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date;
   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the financial report also complies with International Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in page 7 to 9 of the directors' report for the year ended 30 June 2010**.** 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 2010 complies with section 300A of the Corporations Act 2001*.*

Hall Chadwick
Level 29, St Martins Tower
31 Market Street, Sydney, NSW 2000

DREW TOWNSEND
Partner

Date: 30 September 2010

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Corporate Governance

OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations").

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2nd Edition) to ensure that these remain relevant to the Australian business and investment communities. The Company's Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council's Principles and Recommendations (2nd Edition). The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In a limited number of instances, the Company has determined not to comply with the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a Company of this size. Recommendations which the Company does not comply with are highlighted in this report.

1. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Companies should establish and disclose the respective roles and responsibilities of Board and management.

- **Recommendation 1.1:** Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.
- **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.
- **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.

1.2 The Company's practice:

The Board considers that the essential responsibility of Directors is to oversee the Company's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of The Company's business is delegated to the Executive Director, who is accountable to the Board.

Further, the Board takes specific responsibility for:-

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing the Executive Director;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
    - Organizational performance and the achievement of strategic goals and objectives
    - Compliance with the Company's code of conduct
    - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;
- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company's reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of Directors; and
- Any other matter considered desirable and in the interest of the Company.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

Corporate Governance

The Company has a formal Board Charter which is on the Company's website and summarised above. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

Senior executives are responsible for the ongoing management of the Company's operations and report to the Board. They are accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board. Senior Executives performance is reviewed on a regular basis by the Board.

Based on the above information the Company believes it is fully compliant with Recommendations 1.1, 1.2 and 1.3.

2. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** A majority of the Board should be independent Directors.
- **Recommendation 2.2:** The chair should be an independent Director.
- **Recommendation 2.3:** The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.
- **Recommendation 2.4:** The Board should establish a nomination committee.
- **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.
- **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

2.2 The Company's practice:

Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent Directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, the Company has two independent Directors, with the Board comprising of a Non-Executive Chairman, an Executive Director and one Non-Executive Director.

Composition

The Directors have been chosen for their particular expertise to provide the Company with a competent and well-rounded decision-making body and which will assist the Company and shareholders in meeting their objectives.

The term in office held by each Director in office at the date of this report is as follows and details of the professional skills and expertise of each of the Directors are set out in the Directors' Report.

Name	Position	Term in Office
Jason Davis	Chairman	4 Months
Ken Lee	Executive Chairman	5 Years
Matthew Abrahams	Non-Executive Director	1 Year
Tony Ince	Non-Executive Director	4 Months

The Directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

Corporate Governance

Education

The Company has a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of Directors. Directors are given access to and encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The Director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other Board members.

Nomination committee

The Company does not currently have a separate nomination committee and as such has not complied with Recommendation 2.4. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

Monitoring of Board Performance

The performance of all Directors is reviewed by the Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other Board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the Directors performance during the course of the year. Those guidelines include:

- Attendance at all Board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Directors position being reviewed,
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Directors position being reviewed.

Based on the above information the Company believes it is fully compliant with Recommendations 2.1, 2.2, 2.3, 2.5 and 2.6. The Company is not compliant with Recommendation 2.4 as outlined.

3. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Companies should actively promote ethical and responsible decision-making.

- **Recommendation 3.1:** Companies should establish a code of conduct and disclose the code or a summary of the code as to:
  - the practices necessary to maintain confidence in the Company's integrity
  - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
  - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices
- **Recommendation 3.2:** Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.
- **Recommendation 3.3:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

Corporate Governance

3.2 The Company's practice:

Ethical Standards

The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how Directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Directors Dealings in Company Shares

The Company has a securities trading policy in place that applies to its Directors, employees and contractors. The trading policy prohibits Directors, employees and contractors from dealing in shares of the Company whilst in possession of price sensitive information.

General trading in the Company's securities is prohibited:

- whilst in possession of unpublished price sensitive information;
- where officers are engaging in the business of active dealing;
- two weeks before and 24 hours after the release of the Company's quarterly, half yearly or annual report to the ASX; and
- two weeks before lodgement and during the period that a disclosure document including a prospectus is open for applications except to the extent that a Director or employee is applying for securities pursuant to that disclosure document.

The policy requires Directors to notify the Board and employees to notify the Executive Director in advance of any transactions involving the Company's securities.

In addition, Directors must notify the Australian Securities Exchange of any acquisition or disposal of shares by lodgement of a Notice of Directors Interests.

Conflicts of Interest

In accordance with the Corporations Act and the Company's constitution Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exist the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.
Based on the above information the Company believes it is fully compliant with Recommendations 3.1, 3.2 and 3.3.

4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The Board should establish an audit committee.
- **Recommendation 4.2:** The audit committee should be structured so that it:
  - consists only of Non-Executive Directors
  - consists of a majority of independent Directors
  - is chaired by an independent chair, who is not chair of the Board
  - has at least three members.
- **Recommendation 4.3:** The audit committee should have a formal charter.
- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

Corporate Governance

4.2 The Company's practice:

Audit Committee

The Board has not established a separate audit committee and as such has not complied with Recommendation 4.1 & 4.2. The duties and responsibilities typically delegated to such a committee are the responsibility of the full Board, due to the size and current operations of the Company.

The processes the Board applies in performing this function include:-

- reviewing internal control and recommending enhancements;
- monitoring compliance with Corporations Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- improving the quality of the accounting function, personnel and processes;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

Audit and Compliance Policy

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

The Board, consisting of members with financial expertise and detailed knowledge and experience of the mineral exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Executive Director and Company Secretary declared in writing to the Board that the Company's financial reports for the year ended 30 June 2008 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Based on the above information the Company believes it is fully compliant with Recommendations 4.3 and 4.4. The Company is not compliant with Recommendations 4.1 and 4.2 as outlined.

5. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Companies should promote timely and balanced disclosure of all material matters concerning the Company.

- **Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

Corporate Governance

5.2 The Company's practice:

Continuous Disclosure Policy

The Company has a formal Continuous Disclosure Policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring The Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

(a) Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies securities, unless that information is not required to be disclosed under the listing rules;

(b) Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and

(c) Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Executive Director & Company Secretary is responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all Directors, officers and employees of the Company coordinate disclosures through the Company Secretary**,** including:

(d) Media releases;

(e) Analyst briefings and presentations; and

(f) The release of reports and operational results.

Based on the above information the Company believes it is fully compliant with Recommendations 5.1 and 5.2.

6. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

6.2 The Company's practice:

Shareholder Communication

It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in general meetings.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of Directors, approval of the maximum amount of Directors fees and the granting of options and shares to Directors. Important issues are presented to the shareholders as single resolutions.

Corporate Governance

The Company's auditor is required to be present, and be available to shareholders, at the Annual General Meeting.

Information is communicated to shareholders through:-

- the Annual Report which is distributed to all shareholders;
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on the Company's website;
- the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate; and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The Company's full policy on shareholder communication can be found on our website.

Based on the above information the Company believes it is fully compliant with Recommendations 6.1 and 6.2.

7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Companies should establish a sound system of risk oversight and management and internal control.

- **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- **Recommendation 7.2:** The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.
- **Recommendation 7.3:** The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

7.2 The Company's practice:

RISK MANAGEMENT

Recognise and Manage Risk

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has established a formal policy to effectively recognise and manage risk as required by Recommendation 7.1. The Company's policy is to achieve levels of operation that balance risk and reward with the ultimate aim of optimising shareholder value. The Risk Management and Internal Control policy is detailed in full on our website.

Oversight of the risk management system

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee. The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.

Corporate Governance

The Executive Director and Company Secretary has declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

Based on the above information the Company believes it is fully compliant with Recommendations 7.1, 7.2, 7.3 and 7.4.

8. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1:** The Board should establish a remuneration committee.
- **Recommendation 8.2:** Companies should clearly distinguish the structure of Non-Executive Directors remuneration from that of Executive Directors and senior executives.
- **Recommendation 8.3:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

8.2 The Company's practice:

Remuneration committee

The Company does not currently have a separate remuneration committee and as such has not complied with Recommendation 8.1. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board, given the size and nature of the Company's activities.

Remuneration policies

Remuneration of Directors are formalised in service agreements. The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Executive Director and the executive team.

It is the Company’s objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating Directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Directors and senior executives emoluments to the Company’s financial and operational performance. The expected outcomes of the remuneration structure are:

1. Retention and Motivation of senior executives
2. Attraction of quality management to the Company
3. Performance incentives which allow executives to share the rewards of the success of the Company

Remuneration of Non-Executive Directors is determined by the Board with reference to comparable industry levels and, specifically for Directors fees, within the maximum amount approved by shareholders.

Corporate Governance

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

For details on the amount of remuneration and all monetary and non-monetary components for all Directors refer to the Remuneration Report on pages 7 to 41 of the Annual Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Based on the above information the Company believes it is fully compliant with Recommendation 8.2 and is not compliant with Recommendation 8.1 as outlined.

Corporate Governance

Principle	Reference in the Company's Corporate Governance Statement
Principle 1 – *Lay solid foundations for Management and oversight* Companies should establish and disclose the respective roles and responsibilities of Board and Management. • **Recommendation 1.1**: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions. • **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives. • **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.	See pg 48
Principle 2 - *Structure the Board to add value* Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties. • **Recommendation 2.1:** A majority of the Board should be independent directors. • **Recommendation 2.2:** The chair should be an independent director. • **Recommendation 2.3:** The roles of chair and chief executive officer should not be exercised by the same individual. **Recommendation 2.4:** The Board should establish a nomination committee. • **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors. • **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.	See pg 49
Principle 3 - *Promote ethical and responsible decision-making* Companies should actively promote ethical and responsible decision-making • **Recommendation 3.1**: Companies should establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the Company's integrity - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices • **Recommendation 3.2**: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy. • **Recommendation 3.3:** Companies should provide the information indicated in the Guide to reporting on Principle 3.	See pg 50
Principle 4 - *Safeguard integrity in financial reporting* Companies should have a structure to independently verify and safeguard the integrity of their financial reporting. • **Recommendation 4.1:** The Board should establish an audit committee. • **Recommendation 4.2**: The audit committee should be structured so that it: - consists only of non-executive directors - consists of a majority of independent directors - is chaired by an independent chair, who is not chair of the Board - has at least three members. • **Recommendation 4.3:** The audit committee should have a formal charter. • **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.	See pg 51
Principle 5 - *Make timely and balanced disclosure* Companies should promote timely and balanced disclosure of all material matters concerning the Company. • **Recommendation 5.1**: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. • **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.	See pg 52

Corporate Governance

Principle 6 - *Respect the rights of shareholders* Companies should respect the rights of shareholders and facilitate the effective exercise of those rights. • **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. • **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.	See pg 53
Principle 7- *Recognise and manage risk* Companies should establish a sound system of risk oversight and management and internal control. • **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. • **Recommendation 7.2:** The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's Management of its material business risks. • **Recommendation 7.3:** The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. • **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.	See pg 54
Principle 8- *Remunerate fairly and responsibly* Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear. • **Recommendation 8.1**: The Board should establish a remuneration committee. • **Recommendation 8.2**: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. • **Recommendation 8.3:** Companies should provide the information indicated in the Guide to reporting on Principle 8.	See pg 55

Shareholder Information

EXCHANGE LISTING

Health Corporation Ltd shares are listed on the Australian Securities Exchange. The Company's ASX code is HEA.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 30 September 2010

Name of Shareholder	Total Number of Voting Share in Health Corporation Ltd in which the Substantial Shareholders and its Associates Hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
HEALTH INFORMATION SYSTEMS WORLDWIDE PTY LTD	18,000,001	20.28
HELMET NOMINEES PTY LTD	7,863,045	8.86
MR CRAIG BURTON & MRS KATRINA BURTON	5,783,334	6.51

CLASS OF SHARES AND VOTING RIGHTS

At 30 September 2010 there were 480 holders of 88,778,045 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a. each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
b. on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and
c. on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited)."

DISTRIBUTION OF SHAREHOLDERS

Spread of Holdings	Ordinary Shares
1 – 1,000	4
1,001 – 5,000	203
5,001 – 10,000	107
10,001 – 100,000	109
100,001 and over	57
Total	**480**

The number of shareholders holding less than a marketable parcel is 374.

LISTED OPTIONS

Securities	Number of Securities on issue	Number of Holders	Name of Holders holding more than 20%	Number Held
Options exercisable at $1.20 on or before 1 December 2011	13,198,424	467	HEALTH INFORMATION SYSTEMS WORLDWIDE PTY LTD	4,000,000

ESCROWED SECURITIES

The Company does not have any securities on issue that are subject to escrow restrictions.

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

Shareholder Information

LISTING OF 20 LARGEST SHAREHOLDERS AS AT 30 SEPTEMBER 2010

	Holder Name	Number of Shares Held	%
1.	HEALTH INFORMATION SYSTEMS WORLDWIDE PTY LTD <HEALTH INFO SYSTEMS A/C>	18,000,001	20.28
2.	HELMET NOMINEES PTY LTD <TIM WEIR FAMILY FUND A/C>	7,863,045	8.86
3.	MR CRAIG BURTON & MRS KATRINA BURTON <BURTON SUPER FUND A/C>	5,783,334	6.51
4.	MR JEFFREY DAVID EDWARDS & MRS BEVERLEY JEAN EDWARDS <EDWARDS FAMILY A/C>	4,200,000	4.73
5.	JOKE PTY LTD <KENNY FAMILY FUND A/C>	4,200,000	4.73
6.	MR BRETT MITCHELL & MRS MICHELLE MITCHELL <MITCHELL SPRING FAMILY A/C>	3,469,999	3.91
7.	RIVERSTONE CORPORATE PTY LTD <DAVIS TRADING 1 A/C>	3,200,000	3.60
8.	VIRTUS CAPITAL PTY LTD	2,996,355	3.38
9.	JOMIMA PTY LTD <INTERNAL EQUITY A/C>	2,520,000	2.84
10.	JEB HOLDINGS PTY LTD <THE EDWARDS FAMILY A/C>	2,329,689	2.62
11.	MR BRETT ANTHONY MITCHELL & MRS MICHELLE SUZANNE MITCHELL <LEFTHANDERS SUPER FUND A/C>	2,313,334	2.61
12.	KAMIRA INVESTMENTS WA PTY LTD <THE FW A/C>	2,079,689	2.34
13.	HEALTH INFORMATION SYSTEMS WORLDWIDE PTY LTD	1,718,601	1.94
14.	TOPAZE ENTERPRISES PTY LTD <GBM A/C>	1,680,000	1.89
15.	K & J LEE ENTERPRISES PTY LTD <LEE INVESTMENTS A/C>	1,542,172	1.74
16.	MRS JODIE LEE MAXTED	1,408,682	1.59
17.	HAMELIN NOMINEES PTY LTD <QUIRK A/C>	1,333,334	1.50
18.	FRENSAS PTY LTD <HEALTH INFO SYSTEMS NO3 A/C>	1,250,000	1.41
19.	PACKFAM PTY LTD <HEALTH INFO SYSTEMS NO4 A/C>	1,250,000	1.41
20.	WELLGROW PTY LTD <LEE FAMILY A/C>	1,103,000	1.24
TOTAL		**70,241,235**	**79.13**

Shareholder Information

LISTING OF 20 LARGEST OPTION HOLDERS AS AT 30 SEPTEMBER 2010

	Holder Name	Number of Options Held	%
1.	HEALTH INFORMATION SYSTEMS WORLDWIDE PTY LTD <HEALTH INFO SYSTEMS A/C>	4,000,000	30.31
2.	WELLGROW PTY LTD <HEALTH INFO SYSTEMS NO2 A/C>	1,000,000	7.58
3.	PACKFAM PTY LTD <HEALTH INFO SYSTEMS NO4 A/C>	750,000	5.68
4.	MEDICONSUL PTY LTD <NGUYEN FAMILY A/C>	666,843	5.05
5.	BROWN & BIGGINS PTY LTD	500,000	3.79
6.	W L KHOO PTY LTD <WILLIAM KHOO A/C>	390,927	2.96
7.	HEALTH INFORMATION SYSTEMS WORLDWIDE PTY LTD	340,300	2.58
8.	WELLGROW PTY LTD <LEE FAMILY A/C>	330,900	2.51
9.	K & J LEE ENTERPRISES PTY LTD <LEE INVESTMENTS A/C>	321,230	2.43
10.	MR GREGORY ALBERT	250,000	1.89
11.	HUNTER BUSINESS COACHING PTY LTD <H B C SUPER FUND A/C>	250,000	1.89
12.	UNILEASE CAPITAL SDN BHD	234,000	1.77
13.	LIONG ANG <LIONG ANG FAMILY A/C>	215,764	1.64
14.	MR ALLEN CHING-LUN HUANG <THE HUANG INVESTMENT A/C>	205,611	1.56
15.	MENG-MIN MING LIN & HSIU-MEI LIU	144,020	1.09
16.	MR KEN LEE <K & J LEE INVESTMENTS A/C>	137,668	1.04
17.	MR GRAHAM CLIVE DUNKLEY	109,298	0.83
18.	MR PETER ANTHONY ALLEN <SUPERANNUATION A/C>	100,000	0.76
19.	M CALANNA HOLDINGS PTY LTD <MARIO CALANNA FAMILY S/F AC>	100,000	0.76
20.	MR DAVID ALLAN CROOT	91,500	0.69
TOTAL		**10,138,061**	**76.81**