

HEALTH CORPORATION LIMITED
AND CONTROLLED ENTITIES
ABN 30 116 800 269

APPENDIX 4E-PRELIMINARY FINAL FINANCIAL REPORT

REPORTING PERIOD

Financial Year end 30/06/2011

PREVIOUS REPORTING PERIOD

Financial Year end 30/06/2010

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue	Down 29%	to	\$17,115
Profit after income tax	Up 161%	to	\$1,935,168
Profit for the period attributable to members	Up 173%	to	\$1,935,168

Dividends Paid or Recommended

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

2. COMMENT ON RESULTS

Review of Operations

- Completion of \$972k placement to sophisticated investors, following shareholder approval
- Review of New Investment Opportunities
- Sale of Non-Performing Assets
- Appointment of two new non-executive directors

The Company has continued to review new strategic investment opportunities. At this stage, no decision to acquire, farm-in or joint venture into any project has been made and the process of project review is continuing.

The Company is looking forward to an exciting future following the major asset restructure in late 2010 with the disposal of its loss making businesses and more recently the changes made to the Board, management and its corporate strategy to find a new lead asset or project. The Company's strategic vision is to focus on value creation for shareholders through making an investment in a world class asset with an experienced management team.

Operating Results

The consolidated profit for the group after providing for income tax amounted to \$1,935,168.

Entities over which control has been gained or lost during the period:

Loss of control

In November 2010, the Group disposed of the following subsidiaries:

- Health Information Pharmacy Franchising Pty Ltd (Franchising segment)
- Leverage Financing Pty Ltd (Leverage Financing segment)
- HIP IP Pty Ltd (Franchising segment)
- Chemconsult Australia Pty Ltd (Franchising segment)
- Asset Trust 1 (Leverage Financing segment)

HEALTH CORPORATION LIMITED ABN 30 116 800 269
AND CONTROLLED ENTITIES

Preliminary Final Report

The total profit arising from the disposal of the above subsidiaries included in the consolidated statement of comprehensive income amounted to \$2,267,324 through the transfer of liabilities with the disposal of subsidiaries.

Acquisition

On 17 August 2010, the Company acquired Intramedics Pty Ltd (Intramedics), a bioscience company involved in the development of a biologically stable form of Hyaluronic Acid ("HA"). Loss arising from the acquisition of Intramedics included in the consolidated statement of comprehensive income amounted to \$ 120,218.

Associates and joint venture entities

N/A

Discussion of Trends

The Company continues to review complementary investment opportunities, primarily in the medical/biotechnology sector.

3. NET TANGIBLE ASSET PER ORDINARY SHARE (NTA BACKING)

2011 cents/share	2010 cents/share
0.44	(5.89)

4. AUDIT STATUS

This report is based on Financial Statements which are in the process of being audited.

HEALTH CORPORATION LIMITED ABN 30 116 800 269
AND CONTROLLED ENTITIES

Preliminary Final Report

5. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	<i>Notes</i>	CONSOLIDATED GROUP	
		30-Jun-11	30-Jun-10
		\$	\$
Revenue	5	17,115	24,038
Other revenue	5	18,393	-
Total revenue		35,508	24,038
Finance costs		(95,137)	(47,153)
Professional and consultancy fees		(62,372)	(256,148)
Marketing expenses		(4,833)	(326)
Directors fees		(81,651)	(93,829)
Employee benefit expenses		(14,318)	(21,339)
Occupancy expenses		(2,364)	-
Doubtful debt expense		(8,381)	-
Impairment expense	6	(137,356)	-
Other expenses		(78,535)	(85,811)
(Loss) before income tax		(449,439)	(480,568)
Income tax benefit		117,283	-
(Loss) from continuing operations after income tax		(332,156)	(480,568)
Profit from discontinued operations	12	2,267,324	(2,699,521)
Total comprehensive income/(loss) for the year		1,935,168	(3,180,089)
Loss attributable to:			
Members of the parent entity		1,935,168	(2,630,659)
Non-controlling interests		-	(549,430)
		1,935,168	(3,180,089)
<i>Earnings per share for loss attributable to the ordinary equity holders of the parent:</i>			
<i>From continuing and discontinued operations</i>			
Basic and diluted profit/(loss) per share (cents)		2.08	(5.60)
<i>From continuing operations</i>			
Basic and diluted profit/(loss) per share (cents)		(0.36)	(1.02)
<i>From discontinued operations</i>			
Basic profit/(loss) per share (cents)		2.44	(4.58)

HEALTH CORPORATION LIMITED ABN 30 116 800 269
AND CONTROLLED ENTITIES

Preliminary Final Report

6. CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	<i>Notes</i>	CONSOLIDATED GROUP	
		30-Jun-11	30-Jun-10
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	7	1,070,885	59,470
Trade and other receivables		-	69,170
Other Current Assets		22,938	86,123
Total Current Assets		1,093,823	214,763
NON-CURRENT ASSETS			
Trade and other receivables		-	4,002
Financial Assets	8	-	13,912,935
Total Non-Current Assets		-	13,916,937
TOTAL ASSETS		1,093,823	14,131,700
CURRENT LIABILITIES			
Trade & other payables	9	227,688	2,275,378
Borrowings	10	-	9,775,677
Short-term financial liabilities	11	37,833	4,486,912
Short term provisions		-	32,062
Total Current Liabilities		265,521	16,570,029
NON-CURRENT LIABILITIES			
Long-term financial liabilities	11	-	700,000
Total Non-Current Liabilities		-	700,000
TOTAL LIABILITIES		265,521	17,270,029
NET ASSETS		828,302	(3,138,329)
EQUITY			
Contributed equity		5,514,533	4,032,490
Retained Earnings		(4,686,231)	(6,621,399)
Parent interest		828,302	(2,588,909)
Non-controlling interests		-	(549,420)
TOTAL EQUITY		828,302	(3,138,329)

HEALTH CORPORATION LIMITED ABN 30 116 800 269
AND CONTROLLED ENTITIES

Preliminary Final Report

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

Consolidated Group	Share Capital Ordinary \$	Retained Earnings \$	Non- Controlling Interests \$	Total \$
Balance at 1 July 2009	3,981,940	(3,990,740)	10	(8,790)
Units attributable to minority unit holders	-	-	-	-
Total comprehensive loss for the year	-	(2,630,659)	-	(2,630,659)
Loss attributable to non-controlling interests	-	-	(549,430)	(549,430)
Shares issued during the year	52,050	-	-	52,050
Share issue costs	(1,500)	-	-	(1,500)
Balance at 30 June 2010	4,032,490	(6,621,399)	(549,420)	(3,138,329)
Total comprehensive income for the year	-	1,935,168	-	1,935,168
Disposal of non-controlling interests	-	-	549,420	549,420
Shares issued during the year	1,528,998	-	-	1,528,998
Share issue costs	(46,955)	-	-	(46,955)
Balance at 30 June 2011	5,514,533	(4,686,231)	-	828,302

HEALTH CORPORATION LIMITED ABN 30 116 800 269
AND CONTROLLED ENTITIES

Preliminary Final Report

8. CONSOLIDATED STATEMENT OF CASHFLOWS
For the year ended 30 June 2011

	<i>Notes</i>	CONSOLIDATED GROUP	
		30-Jun-11	30-Jun-10
		\$	\$
<i>Cash flows from operating activities</i>			
Receipts from customers		638,135	1,894,159
Payments to suppliers and employees		(1,089,770)	(2,262,788)
Finance costs		(24,472)	(673,912)
Income tax refund received		117,283	-
Net cash used in operating activities	14	(358,824)	(1,042,541)
<i>Cash flows from investing activities</i>			
Purchase of plant & equipment		-	(5,683)
Payments for intellectual property		(5,000)	(9,199)
Net cash used in investing activities		(5,000)	(14,882)
<i>Cash flows from financing activities</i>			
Repayment of leases		(17,878)	-
Repayment of loans		(5,000)	(1,604,258)
Receipts from related entities		85,000	430,099
Proceeds from issue of shares, net of costs		1,362,042	50,550
Loans repaid by franchisees		(2,000)	1,150,888
Loans to other entities		-	(700,000)
Proceeds from borrowings		-	900,000
Net cash provided by/(used in) financing activities		1,422,164	227,279
Net increase/(decrease) in cash held		1,058,340	(830,144)
Cash disposed of on disposal of subsidiaries		(46,925)	-
Cash at beginning of year		59,470	889,614
Cash at end of year	7	1,070,885	59,470

HEALTH CORPORATION LIMITED ABN 30 116 800 269
AND CONTROLLED ENTITIES

Preliminary Final Report

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2011

NOTE 1: BASIS OF PREPARATION

The consolidated financial statements are a general purpose financial report prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements cover the economic entity Health Corporation Limited and its controlled entities (economic entity). Health Corporation Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements of the economic entity comply with International Financial Reporting Standards (IFRS) in their entirety.

The accounting policies have been consistently applied unless otherwise stated.

The financial statements are presented in Australian dollars.

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

NOTE 2: PROFIT FOR THE YEAR

All significant revenue and expense items for the year are disclosed on the face of the comprehensive income statement.

NOTE 3: DIVIDENDS

There are no dividends paid or declared during the year.

HEALTH CORPORATION LIMITED ABN 30 116 800 269
AND CONTROLLED ENTITIES

Preliminary Final Report

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2011

NOTE 4: SEGMENT INFORMATION

Segment reporting - Year 2011

The group has disposed of all active subsidiaries in franchising and financing operations (refer note 12) which were recognised as reportable segments in the financial report for the year ended 30 June 2010. Based on the information used for internal reporting purposes by the chief operating decision maker, being the executive management committee that makes strategic decisions, at 30 June 2011 the group operates in a single reportable segment being the biotechnology segment.

Segment reporting - Year 2010	Franchising Operations \$	Leverage Finance Operations \$	Inter-segment Eliminations/ Unallocated \$	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

NOTE 5: REVENUE

	CONSOLIDATED GROUP	
	30-Jun-11 \$	30-Jun-10 \$
Interest received - other persons	7,115	38
Administration fees	10,000	24,000
Total revenue	17,115	24,038
Other income – debt forgiveness	18,393	-
	35,508	24,038

HEALTH CORPORATION LIMITED ABN 30 116 800 269
AND CONTROLLED ENTITIES

Preliminary Final Report

NOTE 6: IMPAIRMENT EXPENSE

	CONSOLIDATED GROUP	
	30-Jun-11	30-Jun-10
	\$	\$
Goodwill arising during the year on acquisition of Intramedics	137,356	-

Management have taken a conservative approach and fully impaired goodwill arising on the acquisition of Intramedics.

NOTE 7: CASH AND CASH EQUIVALENTS

	CONSOLIDATED GROUP	
	30-Jun-11	30-Jun-10
	\$	\$
Cash at bank and in hand	1,070,885	59,470

NOTE 8: FINANCIAL ASSETS

	CONSOLIDATED GROUP	
	30-Jun-11	30-Jun-10
	\$	\$
Loans and receivables	-	13,912,935
	-	13,912,935

Loans are provided for the funding of pharmacies.

NOTE 9: TRADE & OTHER PAYABLES

	CONSOLIDATED GROUP	
	30-Jun-11	30-Jun-10
	\$	\$
Current		
Trade payables	149,501	372,865
Sundry payables and accrued expenses	78,187	1,602,241
Rebates and claims payable	-	287,072
Customer deposits	-	13,200
	227,688	2,275,378

NOTE 10: BORROWINGS

	CONSOLIDATED GROUP	
	30-Jun-11	30-Jun-10
	\$	\$
Current		
<i>Secured liabilities</i>		
Bank loans	-	9,775,677
Total current borrowings	-	9,775,677

HEALTH CORPORATION LIMITED ABN 30 116 800 269
AND CONTROLLED ENTITIES

Preliminary Final Report

NOTE 11: FINANCIAL LIABILITIES

	CONSOLIDATED GROUP	
	30-Jun-11	30-Jun-10
	\$	\$
<i>Current</i>		
Hire purchase	-	17,878
Loan payable to director	37,833	230,000
Convertible note	-	50,000
Loans payable to other entities	-	772,856
Loans payable to related entities	-	3,416,178
	37,833	4,486,912
<i>Non-current</i>		
Loans payable to related entities	-	700,000
Total non-current borrowings	-	700,000
	-	5,186,912

NOTE 12: DISCONTINUED OPERATIONS

In November 2010, the Group sold the following subsidiaries:

- Health Information Pharmacy Franchising Pty Ltd (Franchising segment)
- Leverage Financing Pty Ltd (Leverage Financing segment)
- Health Information Pharmacy IP Pty Ltd (Franchising segment)
- Chemconsult Australia Pty Ltd (Franchising segment)
- Asset Trust 1 (Leverage Financing segment)

The above subsidiaries were sold to Ken Lee, a director of HEA, on that date for a non-cash consideration of \$4,726,187.

The consideration for the sale of subsidiaries to Ken Lee consists of following:

- The forgiveness of debt totalling \$2,443,689 owed by HEA to Eferes Pty Ltd;
- The transfer of the Company's debt totalling \$230,000 owed to K&J Superannuation Fund to Ken Lee;
- The forgiveness of debt totalling \$579,642 owed by the Company to HIP Queensland Pty Ltd;
- The transfer of debt totalling \$700,000 owed by the Company to HIP Brimbank Pty Ltd to Ken Lee;
- The transfer of debt totalling \$579,642 owed by the Company to Health for Tomorrow Pty Ltd to Ken Lee; and
- The transfer of the Company's debt totalling \$193,214 owed to Lawsfield Holdings Pty Ltd to Ken Lee.

HEALTH CORPORATION LIMITED ABN 30 116 800 269
AND CONTROLLED ENTITIES

Preliminary Final Report

The financial performance of the discontinued operations to the date of sale which is included in profit/ (loss) from discontinued operations per the statement of comprehensive income is as follows:

	CONSOLIDATED GROUP	
	30-Jun-11	30-Jun-10
	\$	\$
Revenue	700,973	2,718,819
Expenses	(986,022)	(5,418,340)
Loss before income tax	(285,049)	(2,699,521)
Income tax expense	-	-
Loss attribute to members of the parent entity	(285,049)	(2,699,521)
Profit on sale before income tax	2,552,373	-
Income tax expense	-	-
Profit on sale after income tax	2,552,373	-
Total profit after tax attribute to the discontinued operation	2,267,324	(2,699,521)

NOTE 13: BUSINESS COMBINATIONS

On 17 August 2010, the Company acquired Intramedics Pty Ltd (Intramedics), a bioscience company 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.

Acquisition of Intramedics was settled by the issue of 6 million fully paid ordinary shares in the Company at 2 cents per share. The fair value of acquired net assets and the resulting goodwill are as follows:

	CONSOLIDATED GROUP	
	30-Jun-11	30-Jun-10
	\$	\$
Cash on hand	120	-
Identifiable assets acquired		
Cash on hand	120	-
Trade and other receivables	917	-
Loans payable	(18,393)	-
NET LIABILITIES ACQUIRED	(17,356)	-
<i>Consideration paid</i>		
Fully paid ordinary shares in the Company - 6 million shares at 2 cents per share	120,000	-
Goodwill recognised on acquisition	137,356	-

Management have taken a conservative approach and fully impaired goodwill arising on the acquisition of Intramedics.

HEALTH CORPORATION LIMITED ABN 30 116 800 269
AND CONTROLLED ENTITIES

Preliminary Final Report

NOTE 14: CASH FLOW INFORMATION

<i>Reconciliation of cash flow from operations with profit / (loss) after income tax</i>	CONSOLIDATED GROUP	
	30-Jun-11	30-Jun-10
	\$	\$
Profit / (Loss) after income tax	1,935,168	(3,180,089)
<i>Non-cash flows in profit</i>		
Profit from discontinued operations	(2,267,324)	-
Doubtful debts provision	8,381	-
Impairment expense	137,356	-
Depreciation	-	37,039
Third party loan forgiven	(18,393)	-
Provision for doubtful loans	-	940,304
Write off plant and equipment	-	115,563
Write off Intangible assets	-	434,774
<i>Change in assets and liabilities, net the effects of purchase and disposal of subsidiaries</i>		
Decrease / (increase) in trade and other receivable	258,458	(162,925)
Decrease / (increase) in inventory	-	8,445
(Decrease) / increase in trade payables and accruals	(412,470)	810,091
Decrease in provisions	-	(45,743)
Net cash used in operating activities	(358,824)	(1,042,541)

NOTE 15: CONTINGENT LIABILITIES

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

NOTE 16: EVENTS SUBSEQUENT TO REPORTING DATE

There were no reportable subsequent events.