

health corporation Limited

ACN 116 800 269

Chairman's Report 2008

To Shareholders and Members

It is with great pleasure that I present the Chairman's report for 2008. I am pleased to announce that whilst severe business and economic conditions experienced during the last two years has prevented some progress and development at Health Corporation Limited, the dedicated and unwavering commitment and focus of Head Office staff has resulted in significant progress being made, consistent with the aims and objectives of the board.

Through our subsidiary company Health Information Pharmacy Franchising Pty Ltd (HIP), the executive team has aggressively remodelled and upgraded the support architecture for pharmacies in the group during the last quarter of 2007. Following this project a thorough re-evaluation of profitability and compliance of pharmacies within the HIP group occurred during the first half of 2008 resulted in the board terminating several franchise agreements to comply with the Board's requirement for increased profitability and quality delivery of services to the public. The directors believe that the company is now more favourably positioned, with a stronger outlook and foreseeable profitability coming from the remaining pharmacies operating under the HIP banner.

These carefully orchestrated and coordinated actions have resulted in major cost savings and increased efficiencies while significantly increasing the effectiveness of retailer support. This result has been achieved by an innovative development plan which has created a high level of cost-effective merchandising, marketing support and training at retail level.

Due to more effective control of cash flow and an improved application of funds and support, the company and its member pharmacies have become more efficient and profitable during the latter half of 2008.

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The company has welcomed three new retail pharmacies in the greater Melbourne area into the Health Corporation family, resulting from the efforts of our Victorian recruiting staff. Currently, there are at least four more retail pharmacies in various stages of progress towards joining Health Corporation in Victoria. In addition, one of our newest retail pharmacies in the Melbourne CBD has become Health Corporation's Victorian "flagship" store.

As a consequence of increased efficiencies and upgraded support, the Company's pharmacies have seen increases in gross profit from between 6.6% and 24% in the past year. Given time these increases in profitability will ultimately flow through to Health Corporation's bottom line. As a result of restructuring the business process and in combination with the anticipated continued expansion of the Health Information Pharmacy (HIP) franchise, the company continues to transition into profitability against a backdrop of some of the most severe local and global business conditions we have seen in decades. The operating loss for the second half of the year, after adjusting for debt write off and provisioning, was \$290,000 compared to the company's first half result of \$832,000 loss. The company achieved a positive cash flow for the June quarter 2008.

Health Corporation Limited continues to invest in the development and growth of the HIP Group and is currently working on a number of projects which upon completion are likely to make significant impact to the ongoing success of the business. The company has lodged a worldwide patent for Chemconsult[®], a pharmacists/patient consulting program, for which we have secured a major licensing agreement with international pharmaceutical company; Alphapharm.

The board is pleased to report that Health Corporation has entered into an information sourcing and sharing partnership with Alphapharm Pty Ltd, a major supplier of drugs to the Australian Pharmaceutical Benefits Scheme, which has been operating in Australia for 25 years. Globally, they are part of the Mylan Group whose broad offering includes the world's second largest portfolio of active pharmaceuticals and which is the third largest generic drug supplier in the world.

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This partnership is a direct result of Health Corporation's unique, patented "Chemconsult®" computerised patient consultation programme, which in itself is believed to be a world-first in patient safety and compliance. A major marketing initiative and promotion intended for doctors and pharmacists detailing the unique professional and financial advantages of embracing and utilising "Chemconsult®", is currently in progress.

Recent publicity gained by the programme has resulted in increased interest by pharmacy owners in the HIP pharmacy group, evidenced by much larger attendances at our most recent pharmacy seminars, where attendances have on occasion tripled.

The Chemconsult® programme ensures that desensitised medication information gathered in real-time use will lead to greater patient safety and greater effectiveness of therapy. This is directly in line with one of the four major pillars of the Health Information Pharmacy Group; that is, to maximise patient safety. This ongoing liaison with Alphapharm will also be very profitable for both our pharmacies and the company, with the expectation of some \$300,000 inflow in the first year and major multiples thereafter.

The board believes that the Australian government has a genuine interest in the Chemconsult® programme and believes in its real potential to reduce the level of hospital admissions resulting from medication incidents, to increase productivity within the Australian workforce and to minimise medication-related deaths. One of the primary aims of Health Corporation Limited in the medium term will be to seek and achieve government funding for the universal use of Chemconsult®

Although it is only at the beginning of its commercial life Chemconsult®- an Australian invention, is a very valuable asset to this company. It has a vast worldwide application in helping reduce the high cost of health care to governments, business and the community.

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While this is my second year as Chairman of this young company and the learning curve has been steep for all those associated, I believe that the board, our excellent senior executives and our dedicated central office staff are to be congratulated on the exceptional teamwork and dedication they have shown to their company. They have my sincere thanks and gratitude.

As is the case in all public companies, it is my turn to retire from the Board. However I remain fully committed to Health Corporation Limited and to the Health Information Pharmacy Group of which I am very proud. Therefore it is my intention to seek re-election to both Directorship and Chairmanship of the Board, if that is the will of shareholders.

I give you all my very sincere thanks,

Graham Dunkley

Chairman

Health Corporation Limited

27th November, 2008

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