

HEALTH CORPORATION LIMITED  
AND CONTROLLED ENTITIES  
ABN 30 116 800 269

PRELIMINARY FINAL FINANCIAL REPORT

**REPORTING PERIOD**

Financial Year end 30/06/2010

**PREVIOUS REPORTING PERIOD**

Financial Year end 30/06/2009

**1. RESULTS FOR ANNOUNCEMENT TO THE MARKET**

Revenue	Down 20.3% to	\$1,641,054
Loss after income tax	Up 63.45% to	(\$3,180,089)
Loss for the period attributable to members	Up 35.21% to	(\$2,630,659)

**Dividends Paid or Recommended**

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

**2. COMMENT ON RESULTS**

**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.
- Announcement during the quarter 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.

*Operating Results*

The consolidated loss for the group after providing for income tax and eliminating minority equity interest amounted to (\$2,630,659).

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

N/A

**Associates and joint venture entities**

N/A

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**Discussion of Trends**

The Company continues to focus on Health Information Pharmacy (HIP) franchise businesses with a new focus post the acquisition of a new complementary business opportunity in the bioscience industry.

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

<b>2010</b>	<b>2009</b>
<b>cents/share</b>	<b>cents/share</b>
(6.67)	(0.93)

**4. AUDIT STATUS**

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

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**5. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2010**

	<i>Notes</i>	<b>CONSOLIDATED GROUP</b>	
		<b>30-Jun-10</b>	<b>30-Jun-09</b>
		<b>\$</b>	<b>\$</b>
Revenue	5	1,641,054	2,060,506
Other income	5	420,774	155,015
<b>Total income</b>		<b>2,061,828</b>	<b>2,215,521</b>
Finance costs		(1,736,780)	(523,183)
Professional and consultancy fees		(465,435)	(558,305)
Marketing expenses		(223,625)	(326,017)
Directors fees		(93,829)	(68,333)
Depreciation		(166,635)	(35,468)
Employee benefit expenses		(1,212,993)	(1,515,889)
Licensing expenses		(91,212)	(120,830)
Occupancy expenses		(121,252)	(116,632)
Doubtful debt expense		(518,683)	(547,052)
Impairment expense	6	(420,740)	-
Other expenses		(190,733)	(349,402)
<b>(Loss) before income tax</b>		<b>(3,180,089)</b>	<b>(1,945,590)</b>
Income tax benefit		-	-
<b>(Loss) after income tax</b>		<b>(3,180,089)</b>	<b>(1,945,590)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>(3,180,089)</b>	<b>(1,945,590)</b>
<b>Loss attributable to:</b>			
Members of the parent entity		(2,630,659)	(1,945,590)
Non-controlling interest		(549,430)	-
		<b>(3,180,089)</b>	<b>(1,945,590)</b>
<b>Earnings per share for loss attributable to the ordinary equity holders of the parent:</b>			
Basic loss per share (cents)		(5.60)	(4.20)
Diluted loss per share (cents)		(5.60)	(4.20)

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**6. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**As at 30 June 2010**

	<i>Notes</i>	<b>CONSOLIDATED GROUP</b>	
		<b>30-Jun-10</b>	<b>30-Jun-09</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	59,470	889,614
Trade and other receivables		69,170	885,646
Inventory		-	8,445
Other Current Assets		86,123	8,350
<b>Total Current Assets</b>		<b>214,763</b>	<b>1,792,055</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		4,002	277,006
Financial Assets	8	13,912,935	13,778,073
Plant and equipment		-	138,522
Intangible assets		-	433,973
<b>Total Non-Current Assets</b>		<b>13,916,937</b>	<b>14,627,574</b>
<b>TOTAL ASSETS</b>		<b>14,131,700</b>	<b>16,419,629</b>
<b>CURRENT LIABILITIES</b>			
Trade & other payables	9	2,275,378	1,576,613
Borrowings	10	9,775,677	1,449,564
Short-term financial liabilities	11	4,117,065	40,012
Short term provisions		32,062	77,805
<b>Total Current Liabilities</b>		<b>16,200,182</b>	<b>3,143,994</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	10	-	8,693,967
Long-term financial liabilities	11	1,069,847	4,590,458
<b>Total Non-Current Liabilities</b>		<b>1,069,847</b>	<b>13,284,425</b>
<b>TOTAL LIABILITIES</b>		<b>17,270,029</b>	<b>16,428,419</b>
<b>NET ASSETS</b>		<b>(3,138,329)</b>	<b>(8,790)</b>
<b>EQUITY</b>			
Contributed equity		4,032,490	3,981,940
Retained Earnings		(6,621,399)	(3,990,740)
<b>Parent interest</b>		<b>(2,588,909)</b>	<b>(8,800)</b>
Non controlling interest		(549,420)	10
<b>TOTAL EQUITY</b>		<b>(3,138,329)</b>	<b>(8,790)</b>

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**7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2010**

<b>Consolidated Group</b>	<b>Share Capital Ordinary \$</b>	<b>Retained Earnings \$</b>	<b>Non Controlling Interest \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2008</b>	<b>3,981,940</b>	<b>(2,045,150)</b>	<b>-</b>	<b>1,936,790</b>
Units attributable to minority unit holders	-	-	10	10
Loss attributable to members of parent entity	-	(1,945,590)		(1,945,590)
<b>Balance at 30 June 2009</b>	<b>3,981,940</b>	<b>(3,990,740)</b>	<b>10</b>	<b>(8,790)</b>
Units attributable to minority unit holders	-	-	-	-
Loss attributable to members of parent entity	-	(2,630,659)	-	(2,630,659)
Loss attributable to non controlling interest	-	-	(549,430)	(549,430)
Issue of shares, net of costs	50,550	-	-	50,550
<b>Balance at 30 June 2010</b>	<b>4,032,490</b>	<b>(6,621,399)</b>	<b>(549,420)</b>	<b>(3,138,329)</b>

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**8. CONSOLIDATED STATEMENT OF CASHFLOWS**  
**For the year ended 30 June 2010**

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
<i>Notes</i>	\$	\$
<b><i>Cash flows from operating activities</i></b>		
Receipts from customers	1,167,115	1,800,097
Receipts from interest on loans	666,446	-
Payments to suppliers and employees	(2,202,191)	(1,705,224)
Finance costs	(673,912)	(523,183)
Income tax refund received	-	12,268
<b>Net cash used in operating activities</b>	<b>(1,042,542)</b>	<b>(416,042)</b>
<b><i>Cash flows from investing activities</i></b>		
Purchase of plant & equipment	(5,682)	(23,277)
Payments for intellectual property	(9,199)	(19,849)
Loans repaid by franchisees	1,150,888	-
Loans to other entities	(700,000)	(9,395,089)
<b>Net cash used in investing activities</b>	<b>436,007</b>	<b>(9,438,215)</b>
<b><i>Cash flows from financing activities</i></b>		
Repayment of loans	(1,604,258)	-
Receipts from related entities	430,099	-
Proceeds from issue of shares, net of costs	50,550	
Proceeds from borrowings	900,000	10,107,401
<b>Net cash provided by/(used in) financing activities</b>	<b>(223,609)</b>	<b>10,107,401</b>
<b>Net increase/(decrease) in cash held</b>	<b>(830,144)</b>	<b>253,144</b>
Cash at beginning of year	889,614	636,470
<b>Cash at end of year</b>	<b>59,470</b>	<b>889,614</b>

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**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2010**

**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 of 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: LOSS FOR THE PERIOD**

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

**NOTE 3: DIVIDENDS**

There are no dividends paid or declared during the year.

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NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2010

NOTE 4: SEGMENT INFORMATION

<b>Segment reporting - Year 2010</b>	<b>Franchising Operations \$</b>	<b>Leverage Finance Operations \$</b>	<b>Inter-segment Eliminations/ Unallocated \$</b>	<b>Total \$</b>
<b>Revenue</b>				
External revenue	1,467,882	173,206	-	1,641,088
Total segment revenue	1,467,882	173,206	-	1,641,088
Unallocated revenue				-
Total revenue				<u>1,641,088</u>
<b>Results</b>				
Segment result	(1,887,579)	(1,292,510)	-	(3,180,089)
Unallocated expenses net of unallocated revenue				-
Loss before income tax				(3,180,089)
Income tax expense				-
Loss after income tax				<u>(3,180,089)</u>
<b>Assets</b>				
Segment assets	198,236	13,933,464	-	14,131,700
Unallocated assets				-
Total assets				<u>14,131,700</u>
<b>Liabilities</b>				
Segment liabilities	(6,958,451)	(10,331,578)	-	(17,270,029)
Unallocated liabilities				-
Total liabilities				<u>(17,270,029)</u>
<b>Other</b>				
Depreciation of segment assets	166,635	-	-	166,635



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NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2010

NOTE 4: SEGMENT INFORMATION continued...

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

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NOTE 5: REVENUE

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
Interest received - other persons	759,080	390,369
Origination and other fees	11,274	416,838
Franchise fees	939,811	1,074,249
Supplier rebates	236,212	209,261
Chemconsult sponsorship	115,451	124,804
	<b>2,061,828</b>	<b>2,215,521</b>

NOTE 6: IMPAIRMENT EXPENSE

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
<b><i>Intellectual property - HIP Franchise system</i></b>		
Balance at the beginning of the year	420,740	420,740
Impairment	(420,740)	-
<b>Net carrying value</b>	<b>-</b>	<b>420,740</b>

Management have taken a conservative approach and fully impaired the HIP Franchise system.

NOTE 7: CASH AND CASH EQUIVALENTS

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
Cash at bank and in hand	59,470	889,614
	<b>59,470</b>	<b>889,614</b>

NOTE 8: FINANCIAL ASSETS

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
Loans and receivables	13,912,935	13,778,073
	<b>13,912,935</b>	<b>13,778,073</b>

Loans are provided for the funding of pharmacies.

NOTE 9: TRADE & OTHER PAYABLES

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
<b><i>Current</i></b>		
Trade payables	372,865	320,713
Sundry payables and accrued expenses	509,816	491,578
Unsecured liabilities	1,092,425	455,879
Rebates and claims payable	287,072	295,343
Customer deposits	13,200	13,100
	<b>2,275,378</b>	<b>1,576,613</b>

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NOTE 10: BORROWINGS

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
<b>Current</b>		
<i>Secured liabilities</i>		
Bank loans	9,775,677	1,449,564
<b>Total current borrowings</b>	<b>9,775,677</b>	<b>1,449,564</b>
<b>Non-current</b>		
<i>Secured liabilities</i>		
Bank loans	-	8,693,967
<b>Total non-current borrowings</b>	<b>-</b>	<b>8,693,967</b>
	<b>9,775,677</b>	<b>10,143,531</b>

NOTE 11: SHORT TERM FINANCIAL LIABILITIES

	CONSOLIDATED GROUP	
	30-Jun-10	30-Jun-09
<b>Current</b>		
Hire purchase	17,878	40,012
Loan payable to director	230,000	-
Convertible note	50,000	-
Unsecured liabilities	772,856	-
Amounts payable to related entities	3,046,331	-
	<b>4,117,065</b>	<b>40,012</b>
<b>Non-current</b>		
Hire purchase	-	14,271
Convertible notes	-	280,000
Unsecured liabilities	-	772,856
Amounts payable to related entities	1,069,847	3,523,331
<b>Total non-current borrowings</b>	<b>1,069,847</b>	<b>4,590,458</b>
	<b>5,186,912</b>	<b>4,630,470</b>

NOTE 12: CONTINGENT LIABILITIES

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

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NOTE 13: EVENTS SUBSEQUENT TO REPORTING DATE

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.

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.

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