

health corporation Limited

ACN 116 800 289

For the Offer of up to 12,500,000
New Shares at an issue price of \$0.60
each, together with one free Option for
every two New Shares issued.

Sponsoring Broker:
Findlay & Co Stockbrokers Limited



Findlay & Co
STOCKBROKERS LTD

Corporate

DIRECTORY

Corporate Directory
Health Corporation Limited
ACN 116 800 269

Directors

Graham Dunkley Ph C MACPPM
(Non-Executive Chairman)

Ken Lee B Pharm MAICD
(Managing Director)

Brian Keen
(Executive Director)

Jack Tan M Applied Fin F Fin
(Non-Executive Director)

Greg Albert MBA
(Non-Executive Director)

Lawrence Nguyen B Pharm
MAACP JP
(Non-Executive Director)

Chief Financial Officer
Robert Lees B Bus CA

Joint Company Secretaries
Robert Lees B Bus CA
Cheryl Lee B Com CA

Registered Office
Suite 311
33 Lexington Drive
Norwest Business Park NSW 2153

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

Investigating Accountant
Hall Chadwick Corporate (NSW) Ltd
Level 29
St Martins Tower
31 Market Street
Sydney NSW 2000
NSW Australia

Legal Advisers
Gye Associates Lawyers
Level 5
6 O'Connell Street
Sydney NSW 2000

Share Registry
Registries Limited
Level 2
28 Margaret Street
Sydney NSW 2000
Tel: (02) 9290 9600
Fax: (02) 9279 0664

Sponsoring Broker
Findlay & Co Stockbrokers Limited
Level 12
10 Spring Street
Sydney NSW 2000
Phone: (02) 9259 8000
Fax: (02) 9247 9342

Lodgement Date
2 November, 2006 (This Prospectus is
a replacement of the Prospectus lodged with
ASIC on 20 October, 2006)

Exposure Period Ends
3 November, 2006

Applications Open
6 November, 2006

Priority Applications Close
20 November, 2006 at
5:00pm AEST

Public Applications Close
4 December, 2006

Intended Allotment Date
11 December, 2006

Intended Date of ASX Quotation
15 December, 2006

These dates are indicative only.
The Company may vary the dates
and times of the Offer without
notice subject to compliance with
the ASX Listing Rules and the
Corporations Act. Accordingly,
investors are encouraged to submit
their Application Forms as early as
possible. A more detailed description
of the Offer is set out in Section 1.

This Prospectus is dated 2 November,
2006 and was lodged with the
ASIC on 2 November, 2006. This
Prospectus is a replacement of the
Prospectus lodged with ASIC on
20 October, 2006. ASIC takes no
responsibility as to the contents of
this Prospectus. No securities will
be allotted, issued or sold on the
basis of the Prospectus later than
13 months after the date of issue
of this Prospectus.

The distribution of this Prospectus in
jurisdictions outside Australia may
be restricted by law and persons
who come into possession of this
Prospectus should seek advice on,
and observe any such restrictions.
Any failure to comply with such
restrictions may constitute a violation
of applicable securities law.

Electronic Prospectus – This
prospectus will be issued in paper
form and as an electronic prospectus,
which may be viewed on line at
www.hip.com.au

The offer is available to persons
receiving an electronic version of the
prospectus in Australia.

The assets depicted in this Prospectus
may not be assets of the Company.

ASX Code: HEA

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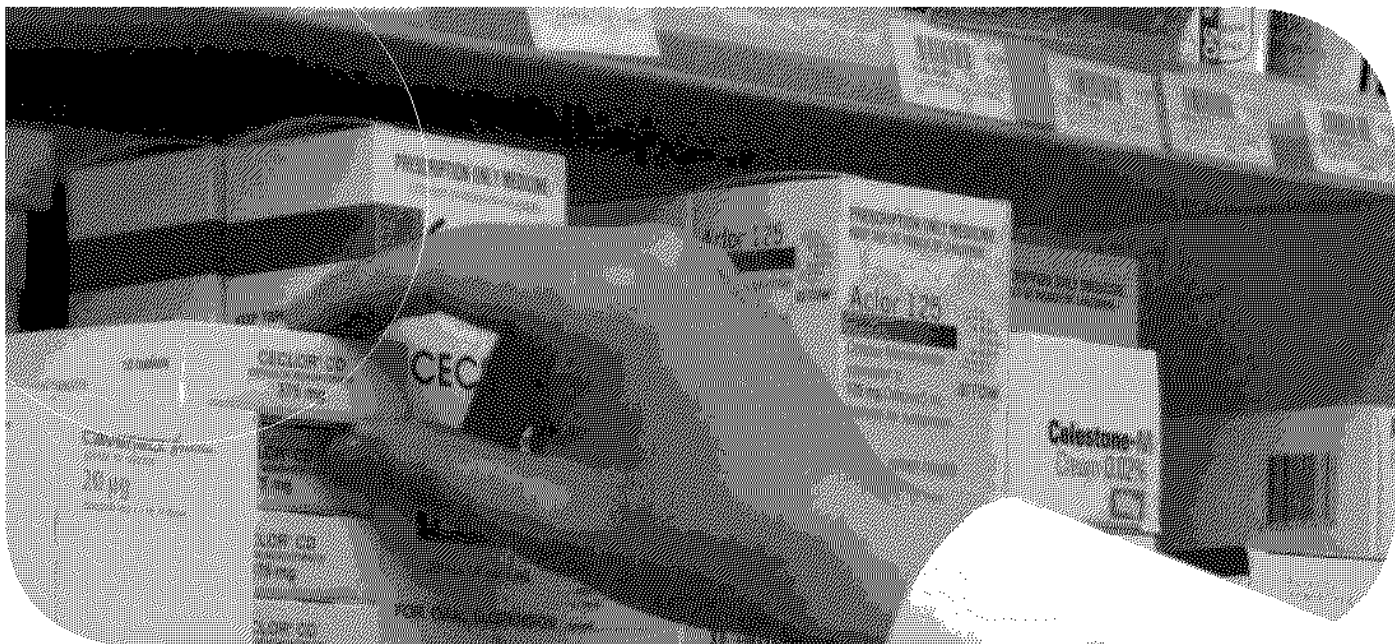
This is an important document and should be read in its entirety. If you do not understand it, or are in doubt as to how to deal with it, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

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COMPANY OBJECTIVES AND MISSIONS

- TO SUCCESSFULLY DEVELOP HEALTH INFORMATION PHARMACY INTO THE LEADING COMMUNITY PHARMACY GROUP.
- TO DEVELOP A FRANCHISE GROUP OF OVER 100 PHARMACIES IN THE MEDIUM TERM.
- TO EXPAND THE NETWORK NATIONWIDE.
- TO DEVELOP OUR OWN BRANDED RANGE OF PRODUCTS AND SERVICES.
- TO OPERATE PROFITABLY AND MAINTAIN A SOUND INVESTMENT FOR SHAREHOLDERS.



“Health Corporation believes it can rapidly grow its Health Information Pharmacy Franchise Group by between 12 and 24 new franchisee stores, depending on the capital raised through this Offer.”

Chairman's LETTER



1 November, 2006

Dear Investor,

My fellow Directors and I are delighted to provide you with an opportunity to become a Shareholder in Health Corporation Limited ("Health Corporation" or "Company").

This Offer provides investors with the opportunity to participate in the growth of an established and profitable business. In 2002 we created the unique Health Information Pharmacy ("HIP") franchise system which we believe distinctly enhances the financial performance of our retail pharmacists' businesses and the quality of service delivery to their customers. This will translate into benefits for our shareholders.

With this Prospectus the Company is offering 12,500,000 full paid ordinary Shares at \$0.60 per share, together with one free Option for every two New Shares issued¹. The Company will apply most of the funds raised to finance the acquisition of franchised pharmacies. This innovative finance model gives us strong control of the acquisition process, enabling pharmacists to buy their own businesses much earlier in their careers, and so accelerating the number of pharmacies within the group.

Our franchise and finance models equip pharmacists to better manage the potential threat of open competition. This business model facilitates delivery of exceptional care and lifelong relationships, enabling Health Information Pharmacy businesses to clearly differentiate themselves from a high volume, impersonal, supermarket-based pharmacy or commodity retailer, and gain market share.

Health Corporation believes that medications should not be sold as bulk consumable commodities. Instead, Health Information Pharmacy stores focus intensely on providing health solutions and reducing medication problems. Each year there are many hospital admissions due to medication incidents, the majority of which are preventable. Medication problems are reduced in Health Information Pharmacy stores by a unique consulting program, Chemconsult[®]. Accordingly, every Health Information Pharmacy store contributes actively to better healthcare in the community.

We have sourced passionate, entrepreneurial pharmacists who will underpin the expansion of the Company. Uniquely, each pharmacist is personally trained by an accredited Business Coach to maximise growth potential.

Health Corporation is currently profitable and has 25 franchisees located predominantly in New South Wales, Queensland and Victoria. We are confident that this number will significantly grow over the next few years. Health Corporation will list on the ASX to provide equity for our finance division, and to develop new and exclusive products.

The Board and Management of the Company bring a unique blend of experience and expertise with a proven track record in franchising, pharmacy management and public company directorship. I encourage you to carefully read about Health Corporation Limited, the Offer, the risks and opportunities in this Prospectus.

My fellow Directors and I recommend the Offer to you and look forward to welcoming you as a valued shareholder of the Company. Together we can create healthier communities!

Yours sincerely,

Graham Dunkley, PHC MACPPM
Chairman

¹See Section 10B of this Prospectus for the Terms and Conditions of the Options offered.

health corporation Limited



Investment

This section is not intended to provide full information for investors considering an investment in the Company. The Prospectus should be read and considered in its entirety.

Company and Business Overview

- Health Corporation Limited is the proprietor of the Health Information Pharmacy franchise system and currently provides franchising services to 25 franchised pharmacies in Australia. The fees payable to the Company by the franchisees include initial and on-going franchise fees.
- The Company also provides finance to pharmacists to enable them to acquire pharmacies which then form part of the Health Information Pharmacy franchise system. The Company derives additional income through loan establishment fees and on-going interest charges.
- The Company provides book-keeping and accounting services to Health Information Pharmacy franchisees and charges franchisees a fee for such services.

Strong Growth Potential

- Large target market: There are approximately 5,000 retail pharmacies in Australia of which some 3,200 do not belong to a recognised group. An estimated 500 to 700 pharmacy business sales occur each year.
- Supporting Industry growth dynamics: Less regulation and ageing pharmacists owners will support the Company's business model.
- Supporting demographic change: The ageing "baby boomer" population will demand and be able to afford better healthcare. The Company will further invest in order to develop new products and corresponding health solutions.
- High demand for a profitable professional pharmacy model: Many pharmacists are searching for alternatives to mass merchandise business models.
- High demand for pharmacy finance: Many pharmacists aspire to pharmacy ownership however the cost of an average pharmacy is high. This supports the Company's business model to provide business finance and the supporting franchise systems.
- Following the completion of this capital raising, the Company has a number of stores ready to be purchased under its franchisee network.

Accelerated Growth and Profit Due to Financing Ability

- Synergy between the franchising business and finance business "fast tracks" the business model and provides increased revenue and profit.
- The Company derives recurring revenue from a variety of sources including franchise fees, pharmacy financing, accounting services, product rebates, training and acquisition fees.

Attractive Marketing Strategy

- The Company has key relationships with pharmacists, pharmacy brokers, wholesalers and major banks, which have been developed over many years. The Company's relationship focus has been on pharmacists, who are the ultimate decision makers and drivers of the business. This is consistent with a very attractive share option strategy aimed at increasing market penetration.

Scaleable Business Model

- With the franchise system and capital funding model now fully developed and the supporting infrastructure in place, the Company is readily capable of managing a major expansion in its network.

Unique Intellectual Property

- The Company holds various copyrights, trademarks, business systems and product formulation rights. This, together with underlying store revenues, enables the Company to develop a number of independent business opportunities.

Creditable, Committed and Experience Board

- The Company's Board and Senior Management Team have already developed the business in line with its expectations and have a number of store opportunities ready for franchisee acquisition or franchise.

Risk Factors

- You should read the entire Prospectus, including Section 4 relating to "Risk Factors" before making any decision to invest, including risks associated with business growth, key personnel, ability to raise funding, investment in Shares, economic and political circumstances, legislation and other risks.

Important NOTES

No person is authorised to give any information or to make any representation in connection with the Offer as described in this Prospectus, which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company in connection with the Offer. Investors should read this Prospectus in its entirety and seek professional advice before deciding to apply for New Shares.

Defined terms and abbreviations included in the text of this Prospectus are set out in the Glossary.

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an exposure period of seven days from the date of lodgement with ASIC, or such other period (not exceeding fourteen days after the date of lodgement) as ASIC may require ("Exposure Period"). The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. No Applications will be processed during the Exposure Period and all Applications received during that period will be treated as if they were simultaneously received on the Opening Date. No preference will be conferred on Applications received prior to the expiry of the Exposure Period. If the Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporations Act.

This Prospectus, whether in electronic or paper form, does not constitute an offer of Shares in any jurisdiction where or to any person to whom it would not be lawful to make such an offer. The distribution of this Prospectus outside Australia may be restricted by law and therefore any person who resides outside Australia and receives the Prospectus should seek advice on and observe any requisite compliance requirements. It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to their Application. The return of a duly completed Application will be deemed to be a representation and warranty by the Applicant that there has not been a breach of any such laws.

Application will be made to the ASX within seven days after the date of this Prospectus for the admission of the Company to the Official List and for Official Quotation of the Shares on the ASX. Neither the ASX nor any of its officers assume any responsibility for the accuracy of any of the statements or opinions made or reports contained

in this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of the Company or of the Shares.

ALL OF THE EXISTING PHARMACIES REFERRED TO IN THIS PROSPECTUS ARE INDEPENDENTLY OWNED. IT IS NOT THE PRESENT INTENTION OF THE COMPANY TO ACQUIRE ITS OWN PHARMACIES.

Summary of the Offer

The Offer under this Prospectus seeks to raise up to \$7.5 million and the proposed application of funds may be found in Section 1.7. The funds will be used by the Company in a variety of ways including to provide finance to franchisee pharmacists, to develop and formulate new products, to provide working capital and to pay for the costs of the Offer.

PRESCRIPTIONS

details
OF THE OFFER

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Details OF THE OFFER

Figure: 1.6

	MINIMUM SUBSCRIPTION No of Ordinary Shares	HOLDING %	FULL SUBSCRIPTION No of Ordinary Shares	HOLDING %
Existing Shares ²	40,705,511	88.29%	40,705,511	76.51%
Public- this Offer	5,400,000	11.71%	12,500,000	23.49%
Total Issued Capital	46,105,511	100%	53,205,511	100%

	MINIMUM SUBSCRIPTION No of Ordinary Shares	HOLDING %	FULL SUBSCRIPTION No of Ordinary Shares	HOLDING %
Existing Option holders ^{2&3}	7,844,000	71.03%	7,844,000	53.75%
Options Issued to Broker	500,000	4.53%	500,000	3.43%
Total Existing Options	8,344,000	75.56%	8,344,000	57.18%
Public-under this Offer	2,700,000	24.44%	6,250,000	42.82%
Total Number of Options	11,044,000	100%	14,594,000	100%

Notes:

1. The Company shall seek ASX listing for all its Options on issue as well as those Options issued under the Offer. The terms of the Options to be issued under the Offer are set out in Section 10B.
2. The Existing Share & Option holders have entered into voluntary escrow agreements with the Company for twelve (12) months or such longer period to be determined by the ASX.
3. Excludes the amount of up to 8,000,000 further Options to be issued at the discretion of the Directors pursuant to the Company's franchisee incentive Share Option plan (refer to section 7.10 of this Prospectus).

1.1 Description of the Offer

By this Prospectus, the Company is offering 12,500,000 fully paid New Shares together with one (1) free attaching Option for every two (2) New Shares issued for subscription at a price of \$0.60 per New Share payable in full on Application. The Offer is open to all public investors and existing Shareholders.

The Options are to be issued for a term expiring 1 December 2011 with an exercise price of \$1.20 per Option. The terms and conditions of the Options are set out in Section 10B and the Options will be tradable.

Applications must be for a minimum of 3400 New Shares (which will come with an Option Entitlement of 1700 Options) for a subscription price of \$2,040.00.

In determining Option Entitlement, any fractional entitlement will be rounded down to the nearest whole number.

Applications will only be accepted on the Application Form attached to this Prospectus.

New Shares will rank pari passu in all respects with all existing Shares on issue.

1.2 Priority Offer

The Directors of the Company and the Sponsoring Broker have agreed that there will be an opportunity for parties nominated by the Company to participate in the Offer in priority to the general public (Priority Applicants).

It is expected that Priority Applicants will include loyalty club customers of the Company, Employees and customers of the franchisees, and other third parties selected by the Company.

The Company will attempt to satisfy all Priority Applications received before the Priority Closing Date in preference to the public applications under the Offer. Priority Applications received after the Priority Offer Closing Date will be treated as applications under the Public Offer.

The Company reserves the right to close the Offer at anytime without prior notice.

Accordingly Priority Applicants are encouraged to apply early.

Figure: 1.7

	A\$ MINIMUM SUBSCRIPTION	A\$ MAXIMUM SUBSCRIPTION
Proceeds from the Offer	\$3,240,000	\$7,500,000
Cost of the Offer	\$603,000	\$897,000
Financing of new franchisee's stores	\$2,200,000	\$5,910,000
Development of new product lines	\$300,000	\$500,000
Additional Working Capital (including Franchisee support and development)	\$137,000	\$193,000
Total Application of Funds	\$3,240,000	\$7,500,000

1.3 Offer Period

Opening Date for receipt of Applications:
6 November, 2006

Priority Offer Closing Date
20 November 2006

Closing Date for receipt of Applications:
4 December, 2006

1.4 Minimum and Maximum Subscription

The Minimum Subscription for the Offer is 5,400,000 New Shares and 2,700,000 free attaching Options to raise \$3.24 million. No New Shares will be allotted under this Prospectus until the Minimum Subscription has been reached. A Maximum subscription of up to 12,500,000 New Shares and 6,250,000 free attaching Options to raise \$7.5 million will be accepted by the Company. No Subscriptions over this amount will be accepted.

All monies will be refunded to applicants in full, without interest, within seven days should the Minimum Subscription not be reached within four (4) months after the issue of this Prospectus.

1.5 Issue of New Shares and Options

The Board reserves the right to accept any Application in whole or in part or to reject any Application. Application monies will be held in trust on behalf of Applicants until the New Shares and Options are Issued. If any Application is rejected (in whole or in part), the amount tendered in respect of New Shares that have not been issued will be repaid to the unsuccessful Applicant, without interest.

If the Company decides to accept your Application and issue the New Shares and Options, either in whole or

in part, it will issue the New Shares and the Options and dispatch a Holding Statement to you as soon as practicable after the Closing Date together with any Application monies received in excess of the New Shares and Options issued to you.

The issue of New Shares and Options pursuant to this Prospectus is subject to ASX granting official quotation of the Company's securities.

Applicants who sell Shares before they receive their Holding Statements will do so at their own risk.

1.6 Capital Structure

There are currently 40,705,511 issued Shares and 8,344,000 Options in the Company. The capital structure on listing will be as illustrated in Figure 1.6

1.7 Application of funds

The key purposes of the Offer are:

1. To provide funds to lend to pre qualified pharmacists to acquire pharmacies in order to expand the number of Health Information Pharmacy franchises;
2. To expand research and development of new pharmaceutical products;
3. To pay the expenses of the Offer;
4. To provide additional working capital (including franchisee support and development) for the expansion of the group's operation and market penetration.

Figure 1.7 is an illustration of the proposed application of proceeds from the Offer.

On completion of the Offer, the Board believes the Company will have sufficient working capital to carry out its objectives.

Details OF THE OFFER

1.8 Sponsoring Broker and Investment Advisors' Fees

Findlay & Co Stockbrokers Limited have agreed to act as Sponsoring Broker to the Offer. The Company will pay to Findlay & Co Stockbrokers Limited an administration fee of \$30,000 plus 1% of all funds raised. In addition Findlay & Co Stockbrokers are entitled to 500,000 Options which have been issued on the same terms as those issued under the Public Offer.

The Company will pay an additional fee of up to 5% to all investment brokers and advisers who introduce stamped Applications to the Company.

The Offer is not underwritten.

1.9 C.H.E.S.S.

The Company participates in C.H.E.S.S (Clearing House Electronic Subregister System) in accordance with the Listing Rules and the Securities Clearing House (SCH) Business Rules. The Company operates an electronic issuer sponsored subregister and an electronic C.H.E.S.S subregister. The two subregisters together make up the Company's principal register of Shares.

The Company will not issue certificates to shareholders other than those who will be subject to escrow restrictions under the ASX Listing Rules. Instead, shareholders that elect to hold their Shares and Options on the issuer-sponsored subregister will be provided with a Holding Statement (similar to a bank account statement) which sets out the number of Shares and Options allotted to each Shareholder under this Prospectus. For shareholders that elect to hold their new Shares and Options on the C.H.E.S.S subregister, the Company will, on allotment, issue an advice to a shareholder that sets out the number of Shares and Options allotted to the shareholder under this Prospectus and at the end of the month of allotment. C.H.E.S.S (acting on behalf of the Company) will provide shareholders with a Holding Statement that confirms the number of Shares and Options allotted.

A Holding Statement (whether issued by C.H.E.S.S or the Company) will also provide details of a shareholder's HIN in the case of a holding on the C.H.E.S.S subregister or shareholder Reference Number in the case of a holding on the issuer sponsored subregister. Following distribution of these initial holding statements to all shareholders, a holding statement will only routinely be provided to a shareholder at the end of any subsequent month during which the balance of the shareholder's holding of Shares and/or Options changes.

1.10 Australian Stock Exchange Listing

Within seven days after the date of this Prospectus, application will be made for the New Shares and Options offered by this Prospectus to be granted Official Quotation by ASX and for the Company to be quoted on the ASX.

If approval for admission by the Company to the official list of ASX is not granted within six weeks after the date of issue of this Prospectus, or such longer period (not exceeding twelve weeks) as the ASX may determine, the Company will not allot or issue any New Shares or Options unless an exempting order is made by ASIC permitting the allotment. If no allotment is made, all application monies will be refunded without interest within the time prescribed by the Corporations Act.

The ASX takes no responsibility for the contents of this Prospectus. The fact that the ASX may admit the Company to its Official List is not to be taken in any way as an indication of the merits of the Company or the securities offered pursuant to this Prospectus.

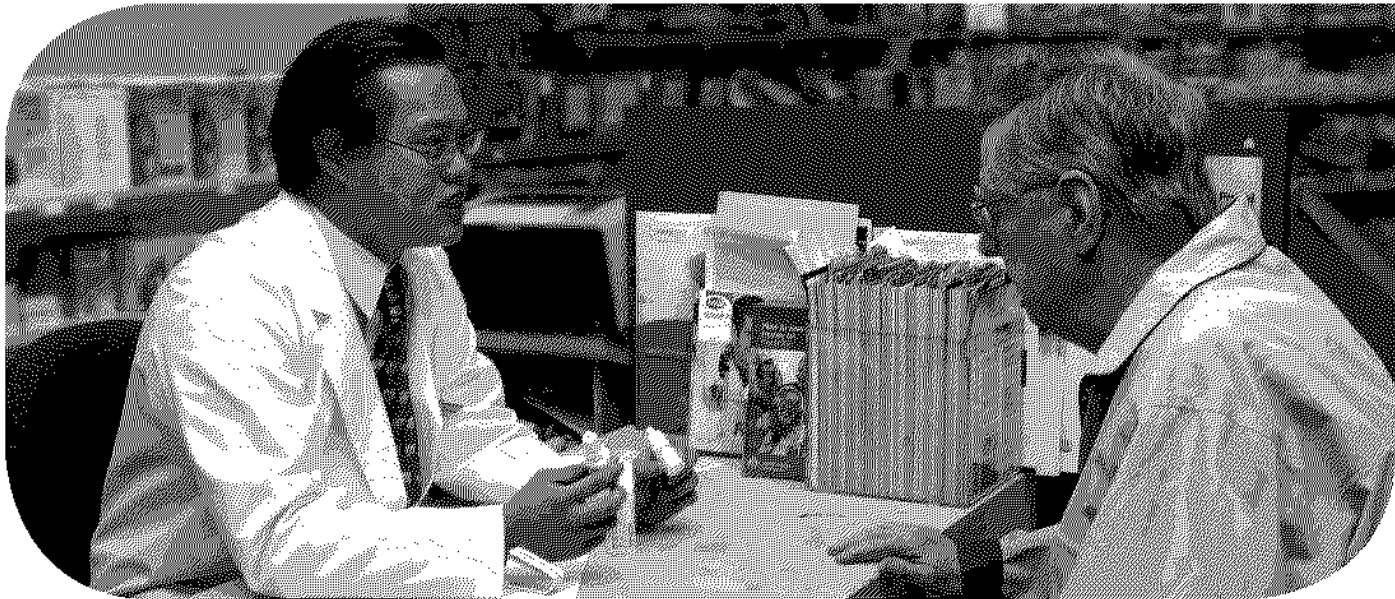
1.11 Privacy Act

If you complete an Application for New Shares, you will be providing personal information to the Company (directly or by the Company's Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder, and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company's Share Registry if you wish to do so at the relevant contact numbers set out in the Prospectus.

Collection, maintenance, and disclosure of certain personal information are governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the SCH Business Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.



1.12 Financial Forecasts

The Directors do not provide herein a financial forecast of earnings.

The Directors have considered the matters set out in the ASIC Policy Statement 170 and believe that they do not have a reasonable basis to forecast the future earnings on the premise that the operations of the Company are not predictable because it is not known exactly how many pharmacies will be financed and how many actual stores will join the Health Information Pharmacy franchise. Accordingly, it is not possible to determine with a reasonable level of certainty required for the provision of prospective financial information in the Prospectus.

1.13 Dividends

The Company does not intend to pay any dividends for the year ending 30 June 2007. Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon the availability of distributable earnings, operating results, financial condition, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

1.14 Electronic Prospectus

An electronic copy of this Prospectus is available on the Company's website at: www.hip.com.au. There is no facility for online applications.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you wish to receive a hard copy or a further electronic copy of the Prospectus, or both, please contact the Company or the Sponsoring Broker, who will send you, free of charge, either a printed or electronic version of this Prospectus (or both).

1.15 Enquiries in relation to the Offer

This Prospectus provides information for potential investors in the Company, and should be read in its entirety. If, after reading this Prospectus, you have any questions about any aspect of the investment in the Company, please contact your stockbroker, accountant or independent financial adviser.

Investors with questions on how to complete the Application Form or who require additional copies of this Prospectus should contact the Sponsoring Broker, Findlay & Co Stockbrokers Limited on (02) 9259 8000.

1.16 How to Apply

Applications under this Offer must be for a minimum of 3,400 New Shares at \$0.60 each (\$2,040.00), and thereafter in multiples of 100 New Shares (\$60.00).

Applications are to be made as follows:

- **For Priority Applicants** – By completing and returning the **Platinum Priority Application Form**, accompanying this Prospectus;

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- **For all other Applicants** – By completing and returning the Blue Public Offer Application Form, accompanying this Prospectus.

Applications must be accompanied by payment by cheque or credit card of \$0.60 per New Share subscribed. Cheques must be in Australian currency drawn on an Australian bank, made payable to "HEALTH CORPORATION LIMITED – Share Issue Account" and crossed "Not Negotiable". No brokerage, stamp duty or merchants fee is payable by Applicants.

1.17 How to Apply

Completed Application Forms, together with application monies or completed credit card details should be forwarded to or delivered to the Company's Share Registry at the address below:

HEALTH CORPORATION LIMITED– Share Issue Account

Registries Limited
Level 2
28 Margaret Street
Sydney NSW 2000
Australia

1.18 Allocation Policy

As stated above in Section 1.2, the Company will attempt to satisfy all Priority Applications received before the Priority Closing Date in preference to the public applications under the Offer.

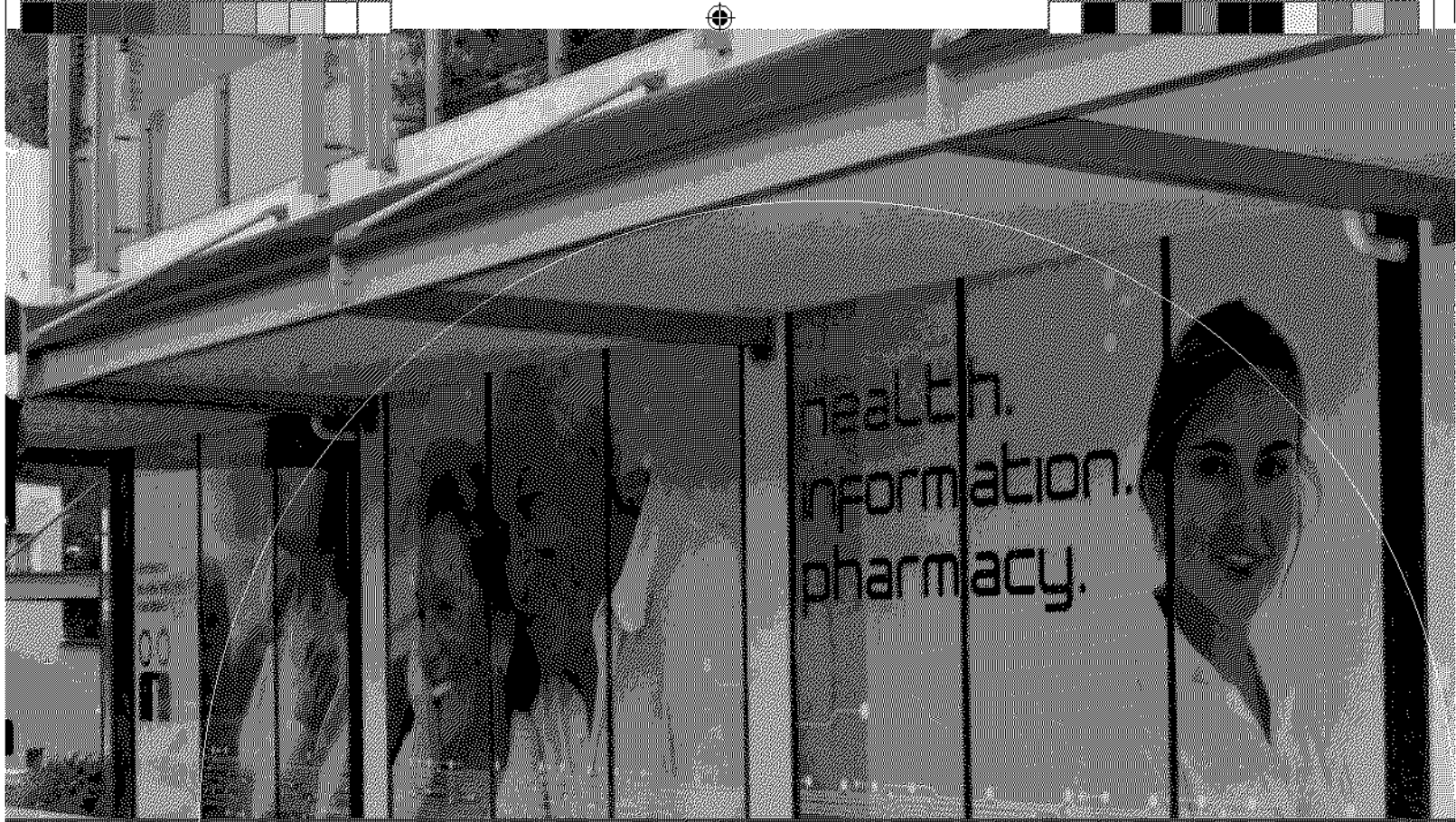
The Directors reserve the right to:

- close the Offer without prior notice once the minimum subscription has been reached or at any time thereafter the date on which the Offer opens for applications;
- refuse any Application; and
- scale back any Application,

in their absolute discretion.

1.19 When to Apply

Applications may be lodged at any time after the issue of this Prospectus. However, as set out in the Important Notes on page 8, Applications received during the ASIC Exposure Period will not be processed until after the expiry of that period. The Offer will remain open until 5.00pm AEST (Sydney time) on 4 December, subject to the right of the Company to close the Offer earlier or extend the Offer without prior notice. **Early lodgement of your Application is recommended as the Offer may be closed early.**



company

OVERVIEW

2

Company

OVERVIEW

2.1 Company History and Company Subsidiaries

The Health Information Pharmacy franchise business has been successfully in operation since 20 March 2002 and was founded by the company's Managing Director, Mr Ken Lee. Health Information Pharmacy was created to improve the health care of communities via the active use of a pharmacist's medical knowledge. The increasing pressures of business operations and potential declining profits faced by pharmacists were also factors crucial to the development of a professional pharmacy business model. The Health Information Pharmacy business is to some extent modelled on other successful business franchise systems.

Since its inception, Health Information Pharmacy has successfully grown from one pharmacy to 25 pharmacies in NSW, Queensland and Victoria primarily via converting existing independent pharmacies to the Health Information Pharmacy franchise. As the store numbers have grown, numerous improvements have been made to the Health Information Pharmacy franchise system including the development of unique programs such as Chemconsult®. This is a unique pharmaceutical consulting software program which systemises a pharmacist medication consultation, which has the potential of reducing medication problems. Business systems were also added or modified in the areas of accounting, human resources, marketing, operations and management to create a "turn key" business solution for pharmacist owners. Business mentoring and coaching was further included to ensure improved business and personal outcomes. The Directors believe a significant proportion of the establishment costs have largely already been accounted for and the Company is in a growth phase.

In the previous 12 months the Company realised that there is a major need for the provision of pharmacy acquisition finance, as pharmacist owners are approaching the average age of 60 years and a significant number of pharmacies will be for sale in the foreseeable future. The provision of pharmacy acquisition finance is complimentary to the Company's franchise business, providing additional income and an opportunity to accelerate the growth of the pharmacy group.

Health Corporation was incorporated on 21 October 2005 in order to establish a public company in the health sector and to acquire the Health Information Pharmacy franchise rights.

Health Corporation has four wholly owned subsidiaries which operate as individual parts of the business. These are as follows:

- Health Information Pharmacy Franchising Pty Ltd is the Health Information Pharmacy franchise business operating entity. This was established to provide franchising services to pharmacists. On 1 July 2006, the Company acquired the Health Information Pharmacy franchise business from Health Information Systems Trust.
- Leverage Finance Pty Ltd which began trading on 21 October 2005. Its main purpose is to provide finance or financial services to franchisees.
- HIP IP Pty Ltd – This entity holds the intellectual property of the Health Information Pharmacy franchise business system consisting of trademarks and business software and systems.
- HIP MBA Pty Ltd – On 1 September 2006, Health Corporation acquired HIP MBA Pty Ltd. HIP MBA Pty Ltd provides accounting services to the Company's franchisees.

2.2 Company Structure

Refer to Figure 2.2 opposite.

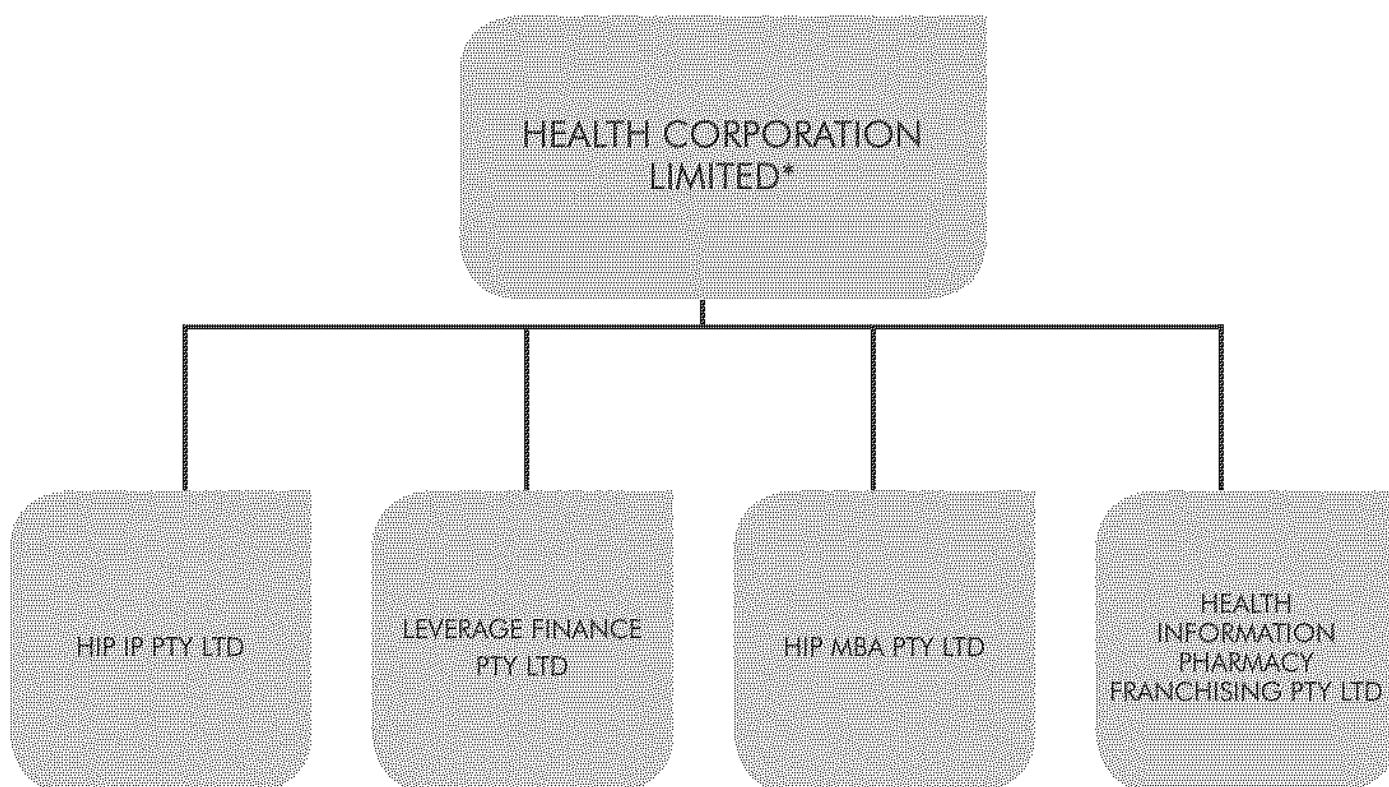
2.3 Sources of Income

The Company currently derives income from the following sources:

- a) Health Information Pharmacy Franchising Pty Ltd.
 - Initial franchise fees for the business systems and use of the intellectual property
 - Ongoing annualised franchised fees
 - Acquisition sourcing fees.
 - Rebates from manufacturers and suppliers
 - Training fees
- b) Leverage Finance Pty Ltd
 - Loan establishment Fees
 - Interest on funding to pharmacists or related entities
- c) HIP MBA Pty Ltd
 - Accounting fees

Figure: 2.2

COMPANY STRUCTURE



*All companies are wholly owned subsidiaries of Health Corporation Limited.

2.4 Description of Business

The Company provides franchising services, store acquisition finance and accounting services to the pharmacy industry. The Company owns the worldwide rights to the Health Information Pharmacy franchise system, a finance company, Leverage Finance Pty Ltd, and an accounting company, HIP MBA Pty Ltd.

The Health Information Pharmacy Franchise Business

The Company provides business systems, training, marketing, group buying services and benefits, business mentoring and support to its franchisees. Health Corporation is experienced in managing its Health Information Pharmacy franchise system primarily in New South Wales and Queensland and aims to expand throughout most of Australia.

Key Benefits to Pharmacist Owners Who Join Health Information Pharmacy

The Health Information Pharmacy franchise is made up of over 100 business systems. These systems exist in a variety of areas such as operations, marketing, accounting, merchandising, human resources and management. The collective aim of these business systems is to optimally operate a pharmacy dependent on these businesses systems and not dependent on key individuals. This is attractive to pharmacy owners as this has the potential to free-up an owner's time and improve the profitability of the pharmacy, while still operating a professionally rewarding pharmacy business.

The business systems are underpinned by the following collective values :

- Reducing Medication Problems
- Empowerment of People
- Strengthening the Community
- Helping the Less Fortunate

Company

OVERVIEW

These values provide common alignment amongst staff, pharmacist owners and store customers alike.

Specific exclusive services to franchisees by the Company include:

1. Chemconsult® – a unique software program which systemises medication consultations.
2. Platinum Care Club – an exclusive loyalty club operated by the Company only for Health Information Pharmacy stores.
3. TeamMaximiser® – a team-based incentive system where each team member receives points for key performance indicators they achieve in the specific job roles. This effectively enables the pharmacy owner to incentivise and effectively manage their staff.
4. HIPPOS – sophisticated IT process which tracks financial and non-financial key performance indicators on a daily basis.
5. Group Purchasing – negotiated bulk discounts and group marketing.
6. Business Coaching – the pharmacy's owner or manager receives regular business coaching from an accredited business coach. This provides focus, motivation and mentorship.

The potential benefits for franchisees include:

- Increased profit
- Improved team management
- Improved productivity and more time for the owner
- A clear business strategy
- Professional Pharmaceutical Care focus
- Multiple site ownership
- Share Options in the Company

Franchise Contract Types

Since its inception in 2002, the Company has developed its template franchising agreement in order to accommodate changes in the business and developments in the franchising industry in accordance with the Franchising Code of Conduct.

Accordingly, the Company presently has 3 forms of Franchise Agreement in operation, details of which are set out in Section 7 of this Prospectus. In summary, these are:

- a. Current Agreements (Version 3) – There are 19 pharmacies on this agreement. Health Information

Pharmacy Franchising Pty Ltd currently charges its new franchisees a franchise fee of \$80,000 per annum plus 2.5% of the pharmacy value above \$2 million indexed with CPI. The current Franchise Agreements are each for an initial term of 7 years with an 8 year option.

- b. Older Agreements (Versions 1 and 2) – There is one pharmacy on the Version 1 agreement and five pharmacies on Version 2. These agreements were entered into from 2002 and from 2004, respectively and vary in revenue from \$35,000 per year to \$64,000 per year.

It is the Company's intention to have as many franchisees as possible as signatories to the Current Agreement (Version 3), 14 existing franchisees have already converted to Version 3 from the earlier versions and negotiations are on going with those remaining franchisees who are party to the older Agreements (Version 1 and 2) in order to procure their execution of the current Agreement (Version 3).

Details of the Franchise Agreements entered into by related parties are disclosed in Section 9 of this Prospectus.

The Leverage Finance Business

Leverage Finance provides capital to the emerging pharmacy business sales market in the form of pharmacy acquisition funding. The pharmacies that are financed by Leverage Finance will become franchisees of the Company's Health Information Pharmacy franchise group.

The Leverage Finance loan process in summary is as follows :

1. Leverage Finance arranges the entire pharmacy loan on behalf of the borrower, including funds from the primary lender, which may comprise of banks, pharmacy wholesalers or other lending institutions.
2. Borrowers from Leverage Finance must meet certain risk assessment criteria (See Section 9 Additional Information). Leverage Finance will provide a secondary loan to a maximum of 20% of the pharmacy value. This together with the loan from the primary lender must not exceed a maximum of 100% of the pharmacy business value.
3. Leverage Finance will only lend to those who are members of the Accelerated Ownership Program (See Section 2.9) and join the Health Information Pharmacy franchise.



4. Leverage Finance, using the Health Information Pharmacy system and processes, manages the business performance of the borrowing pharmacy.

Leverage Finance charges an initial upfront loan placement fee and a loan origination fee plus interest on loaned funds which it secures via a second ranking security over the pharmacy business assets (with the primary lender taking the first ranking security) and a guarantee to repay the loan from the borrower. To a certain extent the lending risks are mitigated by the business enhancement of the Health Information Pharmacy franchise, access to qualified pharmacists and the Company's management team.

A Leverage Finance loan is typically interest only and for a term that is concurrent with the primary loan term. Upon repayment of the loan by each borrower, the funds can be lent again by Leverage Finance or be used elsewhere in the business.

In order to support Leverage Finance, the Company actively searches for pharmacy businesses for sale and matches these with buyers from the Accelerated Ownership Program, who then must enter into a Health Information Pharmacy franchise agreement.

The Company believes there is powerful synergy in the combination of pharmacy financing and franchising services which has the potential to accelerate business growth and income or to provide increased levels of security.

Accounting Business

HIP MBA Pty Ltd provides bookkeeping and accounting services to Health Information Pharmacy franchise pharmacies. The fees generated from services currently range from \$6,000 to \$9,000 per annum per store depending on the store revenue.

Other Business

The Company is currently in the final stages of producing its own weight loss product and has identified other high margin products it wishes to develop and produce. It will be an advantage to the Company to have products which it can then distribute via its franchise group of pharmacies.

In summary, the Company provides a proven franchised business system, pharmacy acquisition finance and accounting services to pharmacies.

Company

OVERVIEW

2.5 Market Positioning

The Health Information Pharmacy Franchise

Health Information Pharmacy is a niche business model focused on the "high care and high service" end of the pharmacy retail market. This has been purposely chosen to distinguish a Health Information Pharmacy from a high volume mass merchandise store. It is a core belief of the Health Information Pharmacy franchise model that pharmaceuticals should not be treated as other commodity items and that value can be added to pharmaceutical sales through proper advice in order to achieve better health outcomes. The professional focus of the Health Information Pharmacy franchise model, the Directors believe, is an attractive one to university trained pharmacists. The Directors also believe the professional focus provides a long term competitive advantage over mass merchandisers and negates the need to locate stores within high-expense, large shopping centres. The Health Information Pharmacy franchise model targets those pharmacists who wish to own multiple sites and those who are looking to increase profitability and to utilise proven and established business systems in order to better manage their stores. This is a pharmacist owner-focused strategy.

Many branded pharmacies exist in Australia. However, few true pharmacy franchise brands exist primarily because the brands are mostly owned by pharmacy wholesalers, commonly termed "banner groups". The aims of the pharmacy wholesaler are not necessarily the same as the pharmacy owner and hence we see the fragmented nature of retail pharmacies which sell many diverse products. This is primarily a pharmacy wholesaler driven strategy.

Alternative Consolidation Options for Independent Pharmacy

Other options available to an independent pharmacy to consolidate include:

- a) Banner Groups – the majority of pharmacy brands are wholesaler owned banner groups. Banner groups generally focus on limited branding and marketing of stores and not business systemisation or pharmacist focused strategies.
- b) Buying Groups – loose collectives of pharmacists form informal purchasing groups. These have had limited success due to poor compliance amongst members.

The Directors believe that the Health Information Pharmacy

Franchise business format is unique in the industry and offers a superior alternative to the above options.

Leverage Finance

Leverage Finance targets aspiring pharmacy owners to enable them to enter pharmacy ownership earlier than they otherwise would. The high entry costs of pharmacy ownership make the use of finance from Leverage Finance attractive.

Alternative Options for Finance

The acquiring pharmacist commonly must provide from his or her own means the balance of the purchase price above the bank loan, which can be several hundreds of thousands of dollars. Many aspiring pharmacy owners lack this required capital which the Company can provide, through Leverage Finance.

2.6 Regulatory Regime

The Pharmacy Guild of Australia and the Federal Government have negotiated an agreement which restricts ownership in each state to pharmacists (or related parties) and currently limits the number of stores each pharmacist can own. This agreement is to be re-negotiated and expires on 30 June 2010.

This creates a barrier to ownership of retail pharmacies and restricts the likes of the major supermarkets and non-pharmacist entrepreneurs.

In summary, the Company believes that the agreement between the Pharmacy Guild and Federal Government will provide pharmacy owners a high degree of commercial protection until expiry on 30 June 2010. However, the Company also believes deregulation or less regulation is a real and underlying threat to most pharmacy owners. We believe that, in the event of these kinds of regulatory changes the "high care" and "high service" Health Information Pharmacy business model will be more attractive as pharmacists look for solutions.

2.7 Pharmaceutical Industry and Market Size

There are approximately 5000 retail pharmacies in Australia representing approximately \$9.5 billion in sales. The target market for the Company is the pharmacist business owner in a business of between \$1 million to \$5 million in sales revenue. This represents the majority of pharmacies. Of the retail pharmacies in Australia, about 3200 do not belong to a franchise or banner group and of the other 1800 stores, many are disenchanted.



Hence, there is a large potential market for the pharmacy franchise sector.

Retail Pharmacy Performance

Australian retail pharmacies have enjoyed strong growth in the last 10 years. This has been achieved largely because of growth in the Pharmaceutical Benefits Scheme ("PBS"). The ageing population will cause continuing growth in the PBS.

Leverage Finance Market Size

The number of pharmacists looking to sell each year is substantial. Presently, there are approximately between 500 and 700 pharmacy sales annually, with demand exceeding supply. The average age of pharmacy owners is approaching 60 and the Directors believe this will result in many owners selling their stores and retiring in the short to medium term. This will further support the growth of Leverage Finance.

The Company aims to make Health Information Pharmacy into a leading recognisable pharmacy brand with stores throughout Australia. Upon raising of the finance via this Offer the Company believes, based on information that it currently has, that it has the capability to grow between 12 and 24 new franchise stores in the short term and to create a group of over 100 stores in the medium term, representing approximately 2% of the total pharmacy market. The Company may seek further funding or sources of finance to develop its business in the future.

2.8 Marketing Strategy

The company has developed a Health Information Pharmacy marketing strategy at the store level as well as a corporate marketing strategy.

Store Level Marketing

The majority of customers of the store come from the local area surrounding it. Hence, the store marketing campaign focuses in generating long term loyal customers by customer referrals, loyalty club membership, media releases and newsletters.

Company Marketing

One of the key drivers of the Company's success is the franchisee pharmacist. As part of the strategy to attract new franchisees the Company has implemented a Franchisee Share Option Plan which should lead to an increased market penetration. The Company markets to pharmacists in a variety of ways including newsletters, trade expositions stands and professional presentations.

Other key relationships with pharmacy brokers, wholesalers and major banks have been developed over many years and those are of high value and significant benefit.

Company

OVERVIEW

2.9 Accelerated Ownership Program and Store Acquisitions

In order to accelerate the Company's growth, a program which pre-qualifies a pharmacy purchaser has been developed known as the Accelerated Ownership Program. This program recruits aspiring pharmacy owners, provides initial business training and qualifies their readiness to purchase. Currently there are over 20 Accelerated Ownership Program pharmacists.

The Company's expertise in acquisitions helps the buyers through the purchasing "maze". This is particularly attractive to the business brokers and pharmacy wholesalers (who between them represent most sellers in the market) because the Company's pre-qualified acquisition process saves the broker a vast amount of their unfruitful time with purchasers who do not understand the complications of the acquisition process. Private vendors are also attracted because of the off-market confidentiality that the Company offers. In order to maximise the acquisition opportunities for pharmacists, the Company has several preferential relationships or arrangements with pharmacy brokers and wholesalers.

The Company has to date identified a number of pharmacies available for purchase and, upon the raising of capital pursuant to this Offer, would be in a position to finance the acquisition of these pharmacies by participants in the Company's Accelerated Ownership Program.

2.10 Future Prospects

The Company's current income is derived from pharmacy franchising, financing and accounting. The large underlying revenue of the retail stores and diverse expenditure areas provide many additional revenue generating opportunities. With additional investment the Company believes these opportunities can be capitalised upon.

Several further areas have been identified for evaluation including:

- Contract Manufacturing – the Company currently owns the formulation rights to a weight loss product which will be commercialised using funds from the Offer.
- Expansion of Leverage Finance – Leverage Finance will look for other opportunities to provide financing services and may raise additional capital in the future.

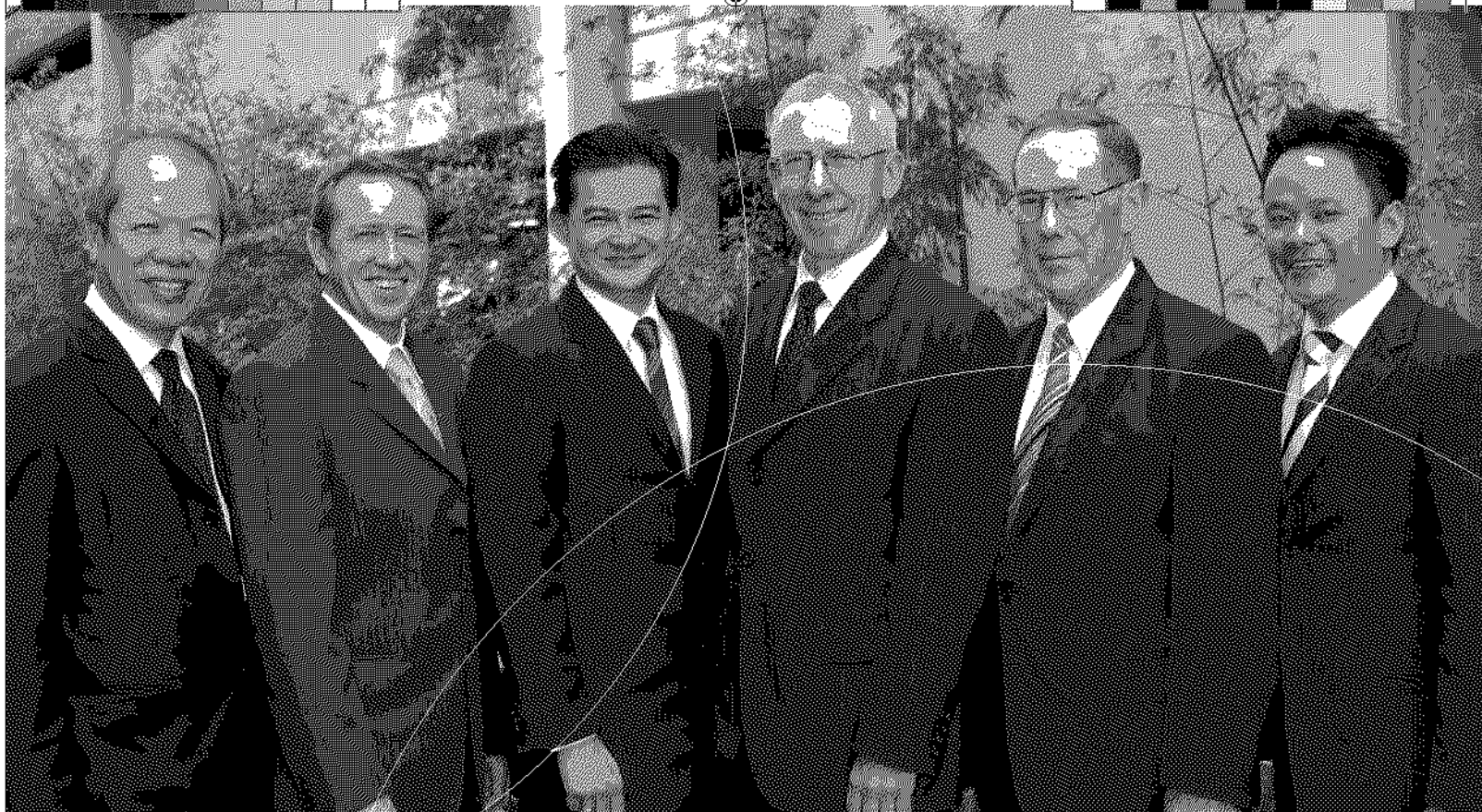
New Brand and Store Concept – the Company has invested in developing a new store and brand concept. The Directors believe retail pharmacy must modernise and adapt to a changing business environment. The brief given to the designer of the new concept store and brand was to design "a world class pharmacy better than any other" and the first concept store has been constructed and is in Dee Why NSW. This concept store is presently being trialled with a view to the concept being launched in 2007 throughout all Health Information Pharmacy stores.

Summary

The Company has in place a clear and defined strategy for driving growth. The key elements of this strategy include:

1. The Health Information Pharmacy franchise system is a proven systemised way of operating a pharmacy in keeping with the core values of many pharmacists. This provides the business enhancement systems attracting new franchisees.
2. The Company will provide finance to pharmacists to enable them to more easily purchase pharmacies and convert these to Health Information Pharmacy stores: This accelerates store growth and company profitability beyond franchising alone.
3. Key relationships exist with pharmacy brokers and wholesalers which enables a source of stores to acquire.
4. The active pre-ownership qualification program known as the Accelerated Ownership Program exists to recruit potential pharmacy owners who are ready to purchase pharmacies and join the Health Information Pharmacy franchise network.
5. Continual franchise model enhancements and development of new exclusive products and health programs aimed at improving profit for the stores and the Company, further attracting new franchisees.

The Board believes that the details outlined within this Prospectus can enhance long term Shareholder value by benefiting pharmacists who choose to affiliate with the Company.



directors

AND COMPANY SECRETARY

3

Directors

AND COMPANY SECRETARY



Chairman (Non-Executive)

Graham Dunkley Ph.C MACPPM – Age 68

Graham over his career has owned eight retail businesses, starting seven from scratch. Graham holds a degree in Pharmacy, having managed six stores over a period of thirteen years before opening the first of several pharmacies in 1968. He is also a member of the Australian College of Pharmacy Practice and Management.

In 1991 Graham took a year off business to become the first fulltime Mayor of the City of Maitland. He steered Maitland Council to adopt a corporate structure, which became the model upon which Australian Local Government Council Corporations are now modelled.

A former Air Force Operations Officer, Graham helped integrate new computerisation into eight Sydney Area Health Services.

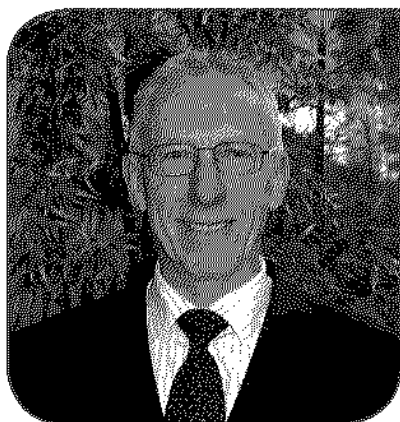


Managing Director and Chief Executive Officer

Ken Lee B. Pharm MAICD – Age 33

The founder of the Company is pharmacist Ken Lee. He has a Bachelor of Pharmacy from Sydney University (1994) and is a member of the Pharmacy Guild of Australia and the Australian Institute of Company Directors. Ken currently owns seven Health Information Pharmacy pharmacies. His store at Castle Hill in 2003 won Pharmacy of the Year (NSW/ ACT) as nominated by the Pharmacy Guild of Australia.

In the year 2000 he was nominated for Young Australian of the Year by the select committee for career achievement. Ken was the winner of the Young Entrepreneur of the Year (My Business Magazine) 2003.



Recruitment and Marketing Director (Executive)

Brian Keen – Age 62

Brian has commercial experience across all spectrums of franchising. In 1983 Brian entered the franchise industry as a specialist retailer and subsequently owned a number of outlets and franchise systems.

In 1989, Brian founded the Franchise Alliance, a national franchise consulting and broking network. The Franchise Alliance consulted in the establishment of over forty new franchise systems in Australia and New Zealand and assisted scores more with recruitment and sales of franchises here and overseas.



Director (Non-Executive)

Jack Tan M Applied Fin. FFin – Age 57

Jack is an Investment Advisor with over 20 years experience, including substantial capital raising exposure in South East Asia. Mr Tan is also a Director of ASX listed Norton Gold Fields Limited and Rocklands Richfield Limited. He was formerly a Director of ASX listed Macro Corporation Limited, and is presently a Director of the Australian Chinese Business Development Association.



Director (Non-Executive)

Greg Albert MBA – Age 46

Greg is a Certified Mechanical Engineer and holds a post graduate Diploma in Business Management and a Master of Business (MBA in New Technology), both from Deakin University. He also has a Diploma in International Marketing from Pori Business School in Finland.

Greg has over twenty five years experience in sales, marketing and business development in global manufacturing companies. He has held senior roles as Managing Director and President in Asia, Europe and USA. Greg has worked overseas and developed new business operations throughout Asia and Europe. He has owned and run his own business development consultancy firm since 1999.



Director (Non-Executive)

Lawrence Nguyen B.Pharm MAACP JP – Age 32

Lawrence has a Bachelor of Pharmacy from Sydney University (1996) and is currently completing his Masters of Pharmacy (Clinical). He is also a consultant pharmacist and is a member of Australian Association of Consultant Pharmacists. He has extensive pharmacy management and ownership experience, beginning with WH Soul Pattinson group as a recipient of one of their coveted scholarships, going on to be one of their top managers and managing their larger stores.

Lawrence currently owns a Health Information Pharmacy at Croydon Park and also is in partnership in seven other pharmacies, four in New South Wales and three in Queensland. Lawrence started as a franchisee with the Health Information Pharmacy group in July 2002.

Directors

AND COMPANY SECRETARY



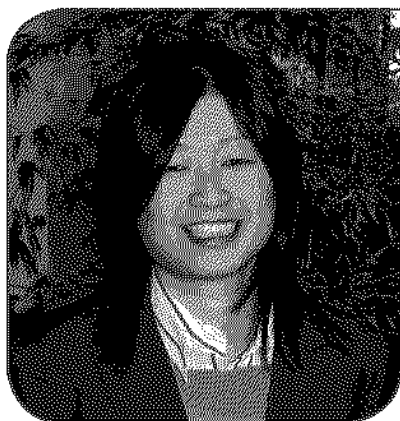
Chief Financial Officer/joint Company Secretary

Robert Lees, B. Bus, CA – Age 56

Robert is a Chartered Accountant, holding a Bachelor of Business (Accounting), a Graduate Diploma in Data Processing from UTS and the Chartered Secretaries Graduate Diploma in Corporate Governance.

Robert is currently a Chief Financial Officer of two ASX listed entities and has provided Company Secretarial services to ASX listed companies for the last six years. He has previously been involved in initial public offerings.

Robert started his working life in Stockbroking before moving to Accounting and over the years has worked for a range of businesses from small private companies to large publicly listed companies.



Financial Controller And Joint Company Secretary

Cheryl Lee, B.Com, CA. – Age 29

Cheryl has a Bachelor Degree in Commerce, majoring in Accounting and Sub majoring in Finance. She is a Chartered Accountant and a member of the Institute of Chartered Accountants in Australia. Cheryl was formally with BKR Walker Wayland and KPMG in the area of middle market advisory. She has diverse corporate experience in the areas of: regulatory Financial Statement Audits; Financial Reporting; Company Secretary Services and Taxation.



General Manager

Brian Taylor – Age 50

Brian Taylor brings significant experience to the Senior Management team of the Health Information Pharmacy group, having had an extensive career as a senior executive in the retail sector. He is a very experienced retailer who, after working with Coles Myer, joined Woolworths Ltd to fill a number of roles including national buying and store operations.

He has a background in franchising having been the Chief Executive Officer of Brumby's, a 250 store franchise group. Prior to joining Health Information Pharmacy, Brian consulted internationally to companies in the areas of buying, store operational control, strategic planning, supply chain management, category management and retail fit-out in Australia, UK, USA, Spain, Singapore and Indonesia.



Risk

FACTORS

4

Risk FACTORS

As with any share investment, there are risks involved. This section identifies the major areas of risk associated with an investment in Health Corporation Limited, but should not be taken as an exhaustive list of the risk factors to which the Company and its Shareholders are exposed. Potential investors should read the entire Prospectus and consult their professional advisor before deciding whether to apply for Shares.

The Directors have identified the following number of specific risk factors relating to the Company that may adversely impact upon the Company's operating performance, financial position and prospects. These include, but are not limited to, the following:

4.1 Specific Risks

- (a) The Pharmacy Guild of Australia and the Federal Government have negotiated an agreement which restricts ownership of pharmacies in each state to pharmacists (or related parties) and limits the number of stores each pharmacist can own. This agreement is due to be re-negotiated and expires on 30 June, 2010. Any entry of supermarkets and other retailers into the industry may have a negative impact on the profitability of community pharmacies, which in turn may restrict growth opportunities for the Company.
- (b) Other companies or other persons may compete with the Company for the supply of loans to pharmacists and franchising for pharmacists. There are other franchisors in the pharmacy market and they may undercut in terms of pricing or provide better services than the Company.
- (c) If financiers to the pharmacy industry alter their position on lending to the industry this may adversely affect the Company's ability to on-lend money to borrowers.
- (d) If for any reason the valuations of pharmacies fall below the market value of those pharmacies at the time of the advance of funds by the Company or its subsidiary, then this may adversely affect the Company.
- (e) The Company will be adversely affected if no pharmacists wish to borrow monies from it.
- (f) The Federal Government remunerates pharmacies under the Pharmaceutical Benefits Scheme. Changes to this scheme may reduce the profitability of pharmacies and reduce the ability of stores to pay franchise fees or loans. This could affect the Company adversely.
- (g) Pharmacists may decide not to take up the Health Information Pharmacy franchise offer or use the company's finance or other services. This will adversely affect the Company's ability to execute its business plan.
- (h) Pharmacists who enter into Health Information Pharmacy franchise agreements and financing arrangements may default or delay their payments. This will adversely affect the Company.
- (i) Pharmacists who enter into contracts with the Company in the future may have disputes with the Company. If there are such disputes then this may adversely affect the Company.
- (j) If the Company decides to manufacture or contract-manufacture products of any kind, this carries specific risks which may adversely affect the Company.
- (k) Health Corporation's anticipated growth may place a significant strain on its managerial, operational and financial resources. To manage its potential growth, Health Corporation must further develop its operational and financial systems. There can be no assurance that Health Corporation will be able to effectively manage the expansion of its operations, that its facilities, systems, procedures or controls will be adequate to support its operations or that it will be able to achieve the expansion necessary to fully exploit the market opportunities for the Company. Any inability to manage growth effectively could have a material adverse effect on Health Corporation's business, results of operations and financial condition.
- (l) The Company's performance is substantially dependent on its senior management and key technical personnel to continue to develop and manage the Company's products and services. The loss of key management could have a material adverse effect on the business and consequently its financial performance. It is noted that key personnel in senior positions have entered into formal employment contracts with the Company.
- (m) The future success of the Company is also dependent on its ability to attract and retain highly qualified technical and managerial personnel. The inability to attract such personnel may result in a material adverse effect on the business.
- (n) The Company may require capital in the future. If the Company is unable to raise that capital it may impact on its prospects for growth.

health corporation Limited



Risk FACTORS

- (o) If the financier to the Company alters its loan arrangements with the Company, this may adversely affect the Company's ability to on-lend money to borrowers.
- (p) If the borrowers are unable to pay the interest and repay the facilities then the Company may be adversely affected.
- (q) Financial failure of franchisees may adversely affect the Company, particularly where there is an outstanding loan to the Company.
- (r) Franchisees for whatever reason may challenge their obligation to pay franchise fees or finance fees. This may adversely affect the Company.

4.2 General Risks

The Company is exposed to a number of risk factors associated with any ASX listed investment outside the control of the Company and the Directors relating to the general business environment. These general risk factors may adversely impact upon the Company's performance, financial position, profitability and prospects of the Company including the price of its Shares. The general risk factors include but are not limited to the following:

- (a) The Shares to be issued pursuant to this Prospectus are subject to stock market fluctuations and should be considered speculative. They carry no guarantee as to payment of dividends, return of capital or the market value of the Shares. There are risks associated with any investment in a company listed on a stock market and the New Shares may trade on ASX at higher or lower prices than the offer price following listing, and investors who sell their Shares after listing may not receive the amount of their original investment.
- (b) There is a risk of poor liquidity and increase in volatility in share price because only a small proportion of the total issued capital will initially be tradeable. The proportion of total issued capital held by the public in this Offer is between 11.71% and 23.49% of the total company depending on the amount subscribed.
- (c) Whilst the Directors have taken all due care and used their best judgement, no assurance as to future profitability or dividends can be given as they are dependent on future earnings and the working capital requirements of the Company. There can be no

guarantee that the assumptions on which the financial forecasts and developments strategies of the Board or those upon which the Company bases its decisions to proceed will ultimately proved to be valid or accurate. The forecasts and development strategies depend on various factors many of what are outside the control of the Company.

- (d) Any Act of God may affect the business including fire, flood, earthquake, riots or other civil commotion or power failures.
- (e) Currently the economic conditions in Australia are relatively strong. A change in the Australian economy or the world economy could affect the Company adversely.
- (f) Changes in interest rates may affect the profitability or the affordability to pay interest to the Company. This will adversely affect the Company.
- (g) Legal, tax and regulatory changes in the Australian investment environment, or otherwise may occur during the investment term which could have adverse effects on the return to investors.



GOVERNANCE

5

Corporate

GOVERNANCE

The Board of Directors of Health Corporation Limited is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The ASX document, *'Principles of Good Corporate Governance and Best Practice Recommendations'* ('Guidelines') applying to listed entities was published in March 2003 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets.

The Board has assessed the Company's current practice against the Guidelines and outlines its assessment below:

Principle 1 – Lay Solid Foundations for Management and Oversight

Health Corporation Limited has a Board Charter approved by the Board on 14 September 2006 which sets out the 'Role & Powers' of the Board, the expectation of members & independence requirements. The Company relies heavily on the Managing Director, Ken Lee, who provides the technical expertise of the Company and the key daily management oversight of the operation. Financial oversight is provided by the Chief Financial Officer & Company Secretary who prepares monthly and annual financial reports. The other Board members are in regular contact with a view to closely overseeing the Company's operations.

Principle 2 – Structure the Board to Add Value

The Board has six Directors and has the following formally constituted committees:

- * Audit & Risk Committee
- * Nomination & Remuneration Committee

The Directors will consider the necessity for further special or separate committees as the Company grows. The Corporate Governance Charter requires the Board to comprise of a minimum of three Directors, at least half of which must be Non-Executive Directors. Currently there are six Directors of which more than half are 'independent' including the Chairman. The board charter requires the Chairman to be independent & selected from the Non-Executive Directors. The Group complies with the Guidelines in this regard.

Principle 3 – Promote Ethical and Responsible Decision Making

The Directors' aim is to manage its business in a way that produces positive outcomes for all stakeholders and maximises economic, social and environmental value simultaneously. In doing so, Health Corporation Limited accepts that the responsibilities flowing from this go beyond both strict legal obligations and just the financial bottom line. Transparency, the desire for fair dealing, and positive links into the community underpin our everyday activities and corporate responsibility practices. The Directors have in signing the Health Corporation Limited Corporate Charter acknowledged these responsibilities.

Both Directors and employees of a Corporation are subject to restrictions under the law relating to dealing in certain financial products, including securities in a company (including Health Corporation Limited) if they are in possession of inside information. Inside information is information that is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the securities of the Company.

Principle 4 – Safeguard Integrity in Financial Reporting

The Company has an Audit & Risk Committee consisting of the Chairman and two other independent Directors. This committee deals with all matters in the Audit and Risk area.

The Board is in the process of implementing appropriate systems for identification and management of risk as well as internal compliance and control. The Company's auditor review's those systems in their audit to help ensure their rigour and effectiveness. The Group complies with the Guidelines in this regard.

Principle 5 – Make timely and balanced disclosure

The Board believes the Group's proposed practice on disclosure is consistent with the Guidelines. Policies and Procedures for Compliance with the Disclosure Requirement in the Listing Rules are included in the Corporate Governance Charter.

Principle 6 – Respect the Rights of Shareholders

The Board recognises the importance of this principle and will strive to communicate with Shareholders both regularly and clearly by electronic means and using

more traditional communication methods. To that end the Company has designed its web-site to be an important basis for maintaining close on-going contact with shareholders. Shareholders are encouraged to attend and participate at general meetings. The Group's auditors will attend the annual general meetings and will be available to answer Shareholders' questions. The Directors believe that the Group's policies comply with the Guidelines in relation to the rights of Shareholders.

Principle 7 – Recognise and Manage Risks

The Board is responsible for overseeing the Company's risk management and internal control framework. The Board believes that the Group complies with the Guidelines in this regard.

Principle 8 – Encourage Enhanced Performance

The Directors recognise the need to regularly evaluate the performance of the Board and Senior Executives on an annual basis. This review will be conducted by the Nomination & Remuneration Committee post the finalisation of the Annual Report. The Board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively.

Principle 9 – Remunerate Fairly and Responsibly

The Group's proposed practices in this area will be reviewed regularly to ensure compliance with the Guidelines. The Company has implemented an employee share plan. Details of remuneration of Directors during the year are disclosed in Section 9 of this Prospectus. Recommendations are made to the Board by the Nomination & Remuneration Committee.

Principle 10 – Recognise the Legitimate Interests of Stakeholders

The Board recognises the importance of this principle and will continue to develop and implement procedures to ensure compliance with legal and other obligations to stakeholders. The Directors believe that the Company and its policies and practices comply with the Guidelines in this area.



INFORMATION

6

Financial

INFORMATION

6.1 Basis and Method of Preparation

This section contains a summary of the Pro forma Consolidated Historical Financial Information for Health Corporation.

The Financial Information presented comprises the following:

- A Pro forma Consolidated Historical Profit & Loss Statement for the financial year ended 30 June 2006;
- A Pro forma Consolidated Historical Statement of Cash Flows for the financial year ended 30 June 2006;
- An Aggregated Pro forma and Pro forma Consolidated Balance Sheet as at 30 June 2006; and
- Significant Accounting Policies and Material Accounting Matters.

The Pro forma Consolidated Historical Profit & Loss Statement and the Pro forma Consolidated Historical Statement of Cash Flows for the financial year ended 30 June 2006 comprises the following:

- Health Corporation Limited and its wholly owned subsidiaries at 30 June 2006, Health Information Pharmacy Franchising Pty Ltd and Leverage Finance Pty Ltd, for the period 21 October 2005 to 30 June 2006;
- Health Information Systems Trust (whose business and assets were subsequently acquired by HIP IP Pty Ltd) for the period 1 July 2005 to 30 June 2006; and
- Mybiz Accounts (whose business and assets were subsequently acquired by HIP MBA Pty Ltd) for the period 1 July 2005 to 30 June 2006.

The Aggregate Pro forma Consolidated Balance Sheet as at 30 June 2006 comprises the following:

- Health Corporation Limited and its wholly owned subsidiaries at 30 June 2006, Health Information Pharmacy Franchising Pty Ltd and Leverage Finance Pty Ltd;
- Health Information Systems Trust assets and liabilities at 30 June 2006 acquired by HIP IP Pty Ltd; and
- Mybiz Accounts goodwill acquired by HIP MBA Pty Ltd (no tangible assets or liabilities were acquired).

6.2 Pro forma Adjustments

The consolidated group of Health Corporation comprises the following companies:

- Health Corporation Limited ("HCL"): Incorporated on 21 October 2005 which acquired the company that owned the Health Information Pharmacy franchise rights;

- Health Information Pharmacy Franchising Pty Ltd ("HIPF"): HIPF is the Health Information Pharmacy franchise business operating entity. This was established to provide franchising services to pharmacists. On 1 July 2006, HIPF acquired the Health Information Pharmacy franchise business from Health Information Systems Trust. The Health Information Pharmacy franchise business has been in operation since 20 March 2002.
- Leverage Finance Pty Ltd ("Leverage Finance"): Wholly owned by HCL since 21 October 2005. It provides finance and financial services to franchisees.
- HIP IP Pty Ltd ("HIP IP") – Acquired by HCL on 1 July 2006. HIP IP acquired the intellectual property of HIPF business system from Health Information Systems Trust on 1 July 2006. The HIPF business system consists of trademarks, business software and franchise systems. The business did not trade prior to being acquired by HCL.
- HIP MBA Pty Ltd ("HIP MBA") – Incorporated on 9 August 2006 as a wholly owned subsidiary of HCL. HIP MBA acquired the business of Mybiz Accounts on 1 September 2006. HIP MBA (previously Mybiz Accounts) provides accounting services to franchisees and other businesses.

The pro forma consolidated Profit and Loss Statement and Statement of Cash Flows contained in this section reflects the effects of Health Corporation's acquisition of its subsidiaries as if the acquisitions were transacted on 1 July 2005 (or a later date if that was when the business commenced trading). The financial accounts do not include any goodwill amortisation as Directors believe there has been no impairment of goodwill as assessed under the relevant impairment tests as at 30 June 2006 in relation to the pro forma financial information.

6.3 Audit and Review of Historical Financial Information

- The consolidated financial accounts of Health Corporation Limited, comprising HCL, HIPF and Leverage Finance, have been subject to an independent audit for the 2006 financial year by Hall Chadwick Chartered Accountants.

The financial accounts of Mybiz Accounts (whose business and assets were subsequently acquired by HIP MBA) have not been subject to any form of audit or review for the 2006 financial year.

The financial accounts of Health Information Systems Trust ("HIST") (whose business and assets were subsequently acquired by HIP IP) have not been subject to any form of audit or review for the 2006 financial year.

6.4 Additional Information and Support for Financial Information

The Pro forma Consolidated Historical Financial Information should be read in conjunction with the Investigating Accountants Report set out in Section 6.

6.5 Profit & Loss Statements

Set out in the table opposite is the Pro forma Consolidated Historical Profit and Loss Statement for Health Corporation, which includes the profit and loss results of all wholly owned subsidiaries to the extent they operated in the 2006 financial year. This information should be read in conjunction with the information provided elsewhere in this Prospectus.

Figure: 6.5

	PRO FORMA CONSOLIDATED HISTORICAL FY2006
Fee Income ¹	1,812,059
Interest Income	35,808
Other Income	90,296
	1,938,163
Advertising and marketing expenses	71,759
Bad debts ²	102,843
Coaching Fees	168,223
Contracting Fees	262,547
Employee Expenses	451,202
Depreciation	36,217
Professional and consultancy fees	44,576
Rent expense	54,299
Finance costs	95,857
Other operating expenses	289,631
	1,577,154
Net profit before taxation	361,009
Taxation ³	108,304
Net profit after tax	252,705

Notes:

1. Fee income totalling \$1,812,059 comprises the following:

Leverage Finance placement and origination fees	\$333,908
HIPF franchise fees	\$1,386,926
Mybiz Accounts (now HIP MBA) fees	\$91,225

2. Bad debts totalling \$102,843 represent costs associated with the restructuring of HIPF in preparation for listing and have not been incurred in the ordinary course of business.

3. Tax is calculated as 30% of the sum of net profit before tax.

Financial

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6.6 Statements Of Cash Flow

Set out in the table below are the Pro forma Consolidated Historical Statement of Cash Flows for Health Corporation. This information should be read in conjunction with the information provided elsewhere in this Prospectus.

6.7 Pro Forma Consolidated Balance Sheet as at 30 June 2006

Set out in the table opposite is the Aggregated Pro forma and the Pro forma Consolidated Balance Sheet for Health Corporation as at 30 June 2006. This information should be read in conjunction with the information provided elsewhere in this Prospectus.

Figure: 6.6

	PRO FORMA CONSOLIDATED HISTORICAL
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	1,059,987
Payments to suppliers and employees	(1,334,675)
Interest received	4,398
Borrowing costs paid	(80,541)
Net cash provided by (used in) operating activities	(350,831)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(156,165)
Net cash provided by (used in) investing activities	(156,165)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from share issue	3
Proceeds from borrowings	2,494,360
Payment of dividends/distributions of profit	(79,874)
Loans provided to related entities	(800,844)
Loans provided to franchisees	(1,061,000)
Net cash provided by (used in) financing activities	552,645
Net increase in cash held	45,649
Cash at beginning of financial period	64,817
Cash at end of financial period¹	110,466

Notes:

1. Cash at the end of the financial period does not correspond to the Cash Asset on the Aggregate Pro forma Balance Sheet at 30 June 2006 as this cash flow statement represents the operations of the entities of HIST and Mybiz Accounts prior to their businesses being transferred to HCL group after 30 June 2006. Cash assets of HIST and Mybiz were not acquired by HCL group.

health corporation Limited

Figure: 6.7

	AGGREGATED PRO FORMA ¹	ADJUSTING ENTRIES ²	PRO FORMA CONSOLIDATED ³
Current Assets			
Cash Assets	118,215	2,637,000	2,755,215
Receivables	190,503		190,503
Other	11,702		11,702
Total Non-Current Assets	320,420	2,637,000	2,957,420
Non-Current Assets			
Receivables ⁴	1,861,845		1,861,845
Property, plant & equipment	150,423		150,423
Intangibles ⁵	396,269		396,269
Deferred tax assets	4,429		4,429
Total Non-Current Assets	2,412,966		2,412,966
Total Assets	2,733,386	2,637,000	5,370,386
Current Liabilities			
Payables	67,015		67,015
Short term borrowings	1,293,149		1,293,149
Current tax liabilities	58,140		58,140
Total Current Liabilities	1,418,304		1,418,304
Non-Current Liabilities			
Long term borrowings	1,189,755		1,189,755
Total Non-Current Liabilities	1,189,755		1,189,755
Total Liabilities	2,608,059		2,608,059
Net Assets	125,327	2,637,000	2,762,327
Equity			
Contributed equity	3	2,637,000	2,637,003
Retained profits	125,324		125,324
Total Equity	125,327	2,637,000	2,762,327

Notes:

1. Column 1 represents the aggregate of the Pro forma Consolidated Balance Sheet of Health Corporation Limited and its wholly owned subsidiaries as if they were acquired as at 30 June 2006.

2. Column 2 represents the adjustments required to reflect the conduct of the Offer, on the basis that minimum Applications totalling \$3,240,000 will be received, less anticipated costs associated with the issue of this Prospectus and the conduct of the Offer of \$603,000. The Offer under this Prospectus seeks to raise up to \$7,500,000 less anticipated costs associated with the Offer of up to \$897,000. If the maximum raising is achieved the pro forma consolidated net assets would increase to \$6,728,327.

3. Column 3 represents the Pro forma Consolidated Balance Sheet of Health Corporation after the acquisition of all subsidiaries and the conduct of the Offer.

4. Non Current Receivables totalling \$1,861,845 comprises:
 Loans to related entities \$800,845
 Loans to franchisees \$1,061,000

5. Intangibles totalling \$396,269 comprises:
 Goodwill: arising from the acquisition of Mybiz Accounts business by HIP MBA \$2,700
 Intellectual Property: acquired from HIST by HIP IP \$393,569

Financial

INFORMATION

6.8 Review of Significant Accounting Policies and Material Accounting Issues

Set out below are a number of significant accounting policies and other material accounting matters that have been relevant to the preparation of the Financial Information above.

The financial information has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

6.9 Financial Outcomes Associated with the Offer

The Financial Information presented in this section of this Prospectus has been prepared on the basis that Minimum Subscriptions totalling \$3.24 million as detailed in this Prospectus will be received. It is anticipated that costs associated with the issue of this Prospectus and the conduct of the Offer will total approximately \$603,000.

6.10 Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net tangible assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

6.11 Intellectual Property

Intellectual property ("IP") has been recorded at the amount by which the purchase price for the business exceeds the fair value attributed to its net tangible assets at date of acquisition. IP is included in intangible assets. IP has an infinite life; is carried at cost less accumulated impairment losses and tested annually for impairment. Gains and losses on the disposal of an entity include the carrying amount of IP relating to the entity sold.

6.12 Impairment of assets

At each reporting date, the entity reviews the carrying values of its tangible 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.

6.13 Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value basis over their useful lives to the company 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.

6.14 Related Party Transactions

Transactions with related parties for the 2006 financial year include the following:

a. Transactions with K & J Lee Partnership

Loans provided to the company	318,461
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b. Transactions with Lee Family Trust

Loans provided to the company	110,000
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c. Transactions with K & J Lee Partnership

Loans provided to the company	4,167
-------------------------------	-------

6.15 Subsequent Events

Subsequent to 30 June 2006 further Shares and Options have been issued in the Company as shown in the following table:

SHARE / OPTIONS ISSUED TO:	DATE	SHARES	OPTIONS
Initial subscribers	21/10/2005	3	
Health Information Systems Trust ¹	2/07/2006	33,100,001	
Two new Shareholders	28/08/2006	2	
Directors	29/08/2006	3,342,172	6,250,000
Employees ²	31/08/2006	852,666	410,000
Subscribers ³	9/09/2006	3,410,667	1,184,000
Total Shares on Issue at date of Prospectus		40,705,511	7,844,000

Notes:

1. Issued as consideration for the acquisition of HIST Business through HIP IP for consideration of HIST fixed assets totalling \$150,423 and the assumption of liabilities in HIST totalling \$543,992.

2. Issued under the Employee Option Plan and the Employee Share Option Plan (ESOP) for no consideration.

3. Cash consideration totalling \$954,012 has been received for the issue of the shares to Subscribers.

There was no cash consideration received for the issues of any other securities.



ACCOUNTANT'S REPORT

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Investigating

ACCOUNTANT'S REPORT

 **Hall Chadwick Corporate**
Corporate Finance & Advisory Services

19 October 2006

The Directors
Health Corporation Limited
Suite 311, 33 Lexington Drive
Norwest Business Park, NSW, 2153

Dear Sirs,

Re: Investigating Accountant's Report on Historical Financial Information

We have prepared this Investigating Accountant's Report (report) for inclusion in a Prospectus dated on or about 19 October 2006 relating to the minimum issue of 5.4 million shares in Health Corporation Limited (the "Company"), to raise a minimum of \$3.24 million (the "Prospectus"). The maximum amount to be issued under the Offer is 12.5 million shares to raise up to \$7.5 million.

Expressions defined in the Prospectus have the same meaning in this report.

Hall Chadwick Corporate (NSW) Limited holds an Australian Financial Services License (No. 227902) issued by Australian Securities and Investments Commission for providing financial product advice on securities to retail clients, including investigating accountant's reports.

Background

Health Corporation Limited is the owner of the Health Information Pharmacy ("HIP") franchise system. HIP was created by pharmacists as a franchise system aimed at enhancing the financial performance of retail pharmacists' businesses and the quality of service delivery to their customers.

The purpose of the issue is to provide funds to lend to pre qualified pharmacists to acquire pharmacies in order to expand the number of Health Information Pharmacy franchises, and to provide funding to satisfy current and future working capital expenditures and the expansion of the business, including development of innovative products.

Scope

You have requested Hall Chadwick Corporate (NSW) Ltd. to prepare an Investigating Accountant's Report covering the following information:

Historical financial information

- a) A Pro forma Consolidated Historical Profit and Loss Statement for the financial year ended 30 June 2006;
- b) A Pro forma Consolidated Historical Statement of Cash Flows for the financial year ended 30 June 2006;

Hall Chadwick Corporate (NSW) Limited

ACN 080 462 488

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Melbourne
Brisbane
Perth
Adelaide

Associated with:

National Association
Hall Chadwick

Association of
Independent Firms

Hall Chadwick Corporate

Corporate Finance & Advisory Services

- c) A Pro forma Consolidated Balance Sheet at 30 June 2006, incorporating the aggregate pro forma historical consolidated Balance Sheet as at 30 June 2006 of the Company including the acquisition of subsidiaries that occurred after 30 June 2006. The pro forma consolidated Balance Sheet shown at this date includes the completion of the offer to raise a minimum of \$3.24 million less estimated costs of the offer of \$603,000;

(referred to collectively as the pro forma historical financial information)

The Pro forma Consolidated Historical Profit & Loss Statement and the Pro forma Consolidated Historical Statement of Cash Flows for the financial year ended 30 June 2006 comprises the following:

- Health Corporation Limited and its wholly owned subsidiaries at 30 June 2006, Health Information Pharmacy Franchising Pty Ltd and Leverage Finance Pty Ltd, for the period 21 October 2005 to 30 June 2006;
- Health Information Systems Trust (whose business and assets were subsequently acquired by HIP IP) for the period 1 July 2005 to 30 June 2006; and
- Mybiz Accounts (whose business and assets were subsequently acquired by HIP MBA) for the period 1 July 2005 to 30 June 2006.

The Aggregate Pro forma Consolidated Balance Sheet as at 30 June 2006 comprises the following:

- Health Corporation Limited and its wholly owned subsidiaries at 30 June 2006, Health Information Pharmacy Franchising Pty Ltd and Leverage Finance Pty Ltd;
- Health Information Systems Trust assets and liabilities at 30 June 2006 acquired by HIP IP Pty Ltd; and
- Mybiz Accounts goodwill acquired by HIP MBA Pty Ltd (no tangible assets or liabilities were acquired).

The consolidated group of Health Corporation comprises the following companies:

- Health Corporation Limited ("HCL"): Incorporated on 21 October 2005. Acquired the company that owned the Health Information Pharmacy franchise rights;
- Health Information Pharmacy Franchising Pty Ltd ("HIPF"): HIPF is the Health Information Pharmacy franchise business operating entity. This was established to provide franchising services to pharmacists. On 1st July 2006 HIPF acquired the Health Information Pharmacy franchise business from Health Information Systems Trust. The Health Information Pharmacy franchise business has been in operation since the 20th March 2002.
- Leverage Finance Pty Ltd ("Leverage Finance"): Wholly owned by HCL since 21 October 2005. It provides finance and financial services to franchisees.
- HIP IP Pty Ltd ("HIP IP") – Acquired by HCL on 1st July 2006. HIP IP acquired the intellectual property of HIPF business system from Health Information Systems Trust on 1st July 2006. The HIPF business system consists of trademarks, business software and franchise systems. The business did not trade prior to being acquired by HCL.

Investigating

ACCOUNTANT'S REPORT

Hall Chadwick Corporate

Corporate Finance & Advisory Services

- HIP MBA Pty Ltd ("HIP MBA") – Incorporated on 9th August 2006 as a wholly owned subsidiary of HCL. HIP MBA acquired the business of Mybiz Accounts on 1st September 2006. HIP MBA (previously Mybiz Accounts) provides accounting services to franchisees and other businesses.

The pro forma consolidated Profit and Loss Statement and Statement of Cash Flows reflects the effects of Health Corporation's acquisition of its subsidiaries as if the acquisitions were transacted on 1 July 2005 (or a later date if that was when the business commenced trading). The financial accounts do not include any goodwill amortisation as directors believe there has been no impairment of goodwill as assessed under the relevant impairment tests as at 30 June 2006 in relation to the pro forma financial information.

Scope of review of historical financial information

The pro forma historical financial information set out in Section 6 of the Prospectus has been extracted from the financial statements of the Company and its subsidiaries acquired after 30 June 2006.

The consolidated financial accounts of Health Corporation Limited, comprising HCL, HIPF and Leverage Financing, have been subject to an independent audit for the 2006 financial year by Hall Chadwick Chartered Accountants who issued an unqualified audit opinion in respect of the historical financial information.

The financial accounts of Mybiz Accounts (whose business and assets were subsequently acquired by HIP MBA) have not been subject to any form of audit or review for the 2006 financial year.

The financial accounts of Health Information Systems Trust (whose business and assets were subsequently acquired by HIP IP) have not been subject to any form of audit or review for the 2006 financial year.

The Directors are responsible for the preparation of the historical financial information.

The historical financial information of the Company and its subsidiaries has been used as the basis for preparation of the pro forma consolidated historical financial information included in the Prospectus. The financial accounts do not include any goodwill amortisation as directors believe there has been no impairment of goodwill as assessed under the relevant impairment tests as at 30 June 2006.

The pro forma consolidated balance sheet at 30 June 2006 incorporates:

- (i) the pro forma Balance Sheet of the Company at 30 June 2006;
- (ii) the effect of the acquisition of subsidiaries acquired after 30 June 2006 as if they were acquired at this date; and
- (iii) proceeds of the issue and related costs.

We have conducted our review of the pro forma historical financial information in accordance with Auditing Standard and Assurance Statement AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

Hall Chadwick Corporate Corporate Finance & Advisory Services

- a review of work papers, accounting records and other documents;
- a review of the assumptions used to compile the pro forma historical financial information; and
- enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement on historical information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma historical financial information, as set out in Section 6 of the Prospectus:

- does not fairly represent the pro forma historical consolidated Profit and Loss Statement of the Company for the year ended 30 June 2006;
- does not fairly represent the pro forma historical Statement of Cash Flows for the year ended 30 June 2006;
- does not fairly represent the aggregate pro forma historical consolidated Balance Sheet of the Company at 30 June 2006 and the pro forma consolidated Balance Sheet at that date;
- has not been prepared in accordance with the recognition and measurement requirements of the Australian equivalents to International Financial Reporting Standards (AIFRS) and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company.

Subsequent events

Apart from the matters dealt with in this report and at Section 6 of the Prospectus, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

Independence or Disclosure of Interest

Hall Chadwick Corporate (NSW) Limited does not have any interest in the outcome of this issue other than in its capacity as Investigating Accountant for which normal professional fees will be received.

Yours faithfully



Drew Townsend
HALL CHADWICK CORPORATE (NSW) LIMITED



CONTRACTS

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The following documents constitute the material contracts:

- 8.1 Old Health Information Pharmacy Franchise Agreements;
- 8.2 New Health Information Pharmacy Franchise Agreements;
- 8.3 Lease dated 1 July 2006;
- 8.4 Deeds of Secondary Loan dated 28 April 2006;
- 8.5 Transitional Guarantee and Release Agreement;
- 8.6 HIP IP Business Transfer Deed dated 1 July 2006;
- 8.7 Licence Agreement dated 1 July 2006;
- 8.8 Employee Share Plan;
- 8.9 Employee Share Option Plan;
- 8.10 Franchisee Incentive Share Option Plan;
- 8.11 Employment Agreements;
- 8.12 Coin Equities Term Sheet dated 29 June 2006;
- 8.13 Engagement Letter – Findlay & Co dated 28 September 2006; and
- 8.14 Engagement Letter – Bourse Communications Pty Limited dated 15 October 2006.

8.1 Old Franchise Agreements

Prior to 8 September 2006, two versions of franchise agreements were in existence between the Company and various franchisees, one introduced at the commencement of franchising in 2002 (Version 1) and a second agreement (Version 2) which superseded the previous Version on July 2004. On 27 July 2006 this was replaced with the New Franchise Agreement (Version 3).

There is only one franchisee presently remaining under Version 1 of the franchise agreement and approximately five franchisees remaining under Version 2 of the franchise agreement.

Version 1 of the franchise agreement provides a term of five years with a five year option for renewal.

Version 2 of the franchise agreements also provide a term of five years with a five year option for renewal. The annual franchise fee payable under those agreements varies from between approximately \$35,000 to \$64,000 per year (exclusive of GST).

All franchisees have been encouraged to enter into New Franchise Agreements, which the Company believes better reflects the business of the Company and the updated Franchising Code of Conduct, without substantially changing the Franchisee's rights and obligations stipulated under either Version 1 or Version 2.

8.2 New Franchise Agreements

The terms of the new franchise agreements are generally standardised across all pharmacies, except as to the franchise fee and any special conditions, which have been individually negotiated between the Company and franchisees. Pursuant to these agreements, Health Information Pharmacy Franchising Pty Limited agrees to grant to each of the franchisees a non-exclusive licence as a franchisee to use the trademarks, image and other intellectual property and, at the discretion of the franchisees, the system and the software on the terms and conditions set out in the new franchise agreement.

In consideration of Health Information Pharmacy Franchising Pty Limited complying with the above, the franchisees have agreed to pay a franchise fee and the persons nominated as guarantors have agreed to give a guarantee & indemnity to Health Information Pharmacy Franchising Pty Limited for the performance of the franchisees' obligations under the agreement.

The term of the new franchise agreements are each of seven years with an option for renewal of eight years, except with respect to the franchise agreement in respect of the Winston Hills store, which is for a shorter term of six years, but with an extended option for renewal of nine years.

The annual franchise fee payable under the new franchise agreements varies from between approximately \$50,000 to \$80,000 for each year (exclusive of GST). The annual franchise fee in respect of the Runaway Bay store (of which each of Ken Lee and Lawrence Nguyen have an approximate 33.33% interest) is \$115,000 per year.

The Health Information Pharmacy new franchise agreements are effectively revised versions of pre-existing franchise agreements. The new franchise agreements contain additional provisions and further clarification of the terms and descriptions of the business assets available for use by the franchisee and seek to replace and revoke those previous agreements, for ease of ambiguity. In addition, pursuant to the new franchise agreements, franchisees are provided with a "Disclosure Document" attaching material of significance to new franchisees, such as a copy of the Code of Conduct, a list of existing

Material

CONTRACTS

franchisees, and copies of the financial reports of Health Information Pharmacy Franchising Pty Limited for the past two years.

The obligations of Health Information Pharmacy Franchising Pty Limited under the respective agreements include:

- (a) making the Health Information Pharmacy system available for use by the franchisee in the pharmacy (under the terms and conditions as set out in the agreement);
- (b) granting to the franchisee a non-exclusive and non-transferable licence to use the software in the pharmacy;
- (c) providing induction and training to the franchisee in accordance with the agreement;
- (d) providing business coaching to the manager of the pharmacy in accordance with the agreement;
- (e) marketing and promoting the franchise network; and
- (f) loaning to the franchisee the operations manual in respect of the business in accordance with the agreement.

The franchisee's obligations under the agreement include:

- (a) financial obligations such as payment of an initial fee, a franchise fee (payable monthly in advance and reviewed on 1 July each year), any relevant renewal fee and costs associated with the agreement (including legal costs and payment for equipment, training seminars, products, insurance and any applicable assignment fee);
- (b) payment of interest upon default (calculated at the rate of 2% per annum in accordance with the agreement);
- (c) commencement of operation of the pharmacy under the image and trademarks in accordance with the agreement;
- (d) conducting the pharmacy in accordance with the business practice and with reasonable care and skill and not modifying any part of the franchise system;
- (e) actively promoting the network and the mutual business interests of the franchisee and Health Information Pharmacy Franchising Pty Limited;
- (f) complying with all laws and requirements in respect of the conduct of the pharmacy including conducting the pharmacy at all times during the applicable business hours;
- (g) appointing and training a manager and employee staff in accordance with the agreement;
- (h) indicating on all stationary and signage that the franchisee is the independent proprietor of the pharmacy and uses the intellectual property under licence from Health Information Pharmacy Franchising Pty Limited; and

- (i) taking out and maintaining satisfactory insurance in accordance with the agreement.

A new franchise agreement may be terminated:

- (a) By Health Information Pharmacy Franchising Pty Limited immediately if a franchisee:
 - (i) No longer holds a licence necessary to carry on the pharmacy;
 - (ii) Becomes bankrupt or insolvent under administration;
 - (iii) Abandons the pharmacy and consents to termination;
 - (iv) Is convicted of a serious offence;
 - (v) Operates the pharmacy in such a way that endangers public health or safety;
 - (vi) Commits a fraudulent act in connection with the pharmacy; or
 - (vii) Commits any other act or omission specified in the Franchising Code of Conduct as grounds for immediate termination.
- (b) In all other cases, by either party after first giving the other party notice of breach of the new franchise agreement, and such breach is not remedied within a reasonable period (being not more than 30 days).

On termination of the new franchise agreement, the franchisee must cease using and displaying in any manner the Health Information Pharmacy name or image, must cease using all systems, software and intellectual property and must return all stationary, advertising or other documents bearing the Health Information Pharmacy name or derivatives, and if the franchisee continues to occupy the premises, to immediately alter the premises to ensure that its appearance cannot be confused with the then prevailing image of Health Information Pharmacy franchise pharmacies.

The Directors' respective interests in the various pharmacy stores under the franchise agreements are further set out in section 9 of this Prospectus.

8.3 Lease

This is a Lease between K & J Lee Pty Limited (as Lessor) and Health Information Pharmacy Franchising Pty Limited (as Lessee) in respect of the premises described as the Lease of folio identifier 46/ SP74252 being a Unit in the "Zhen" Building, Lexington Drive, Baulkham Hills.

The Lease is for a period of five years commencing 1 July 2006 and terminating on 30 June 2011 with an option to renew for two further periods each of 5 years.

The annual rental in respect of the Lease is \$50,000 per annum (exclusive of GST).

The Lessee is required to pay 100% of the variable outgoings under the Lease, which are currently approximately \$7,000 per annum.

8.4 Deeds Of Secondary Loan

(a) Runaway Bay store

This is a Deed of secondary Loan dated 28 April 2006 between Leverage Finance Pty Limited (as the Lender), Lawsfield Holdings Pty Limited in its own right and as Trustee for the Queensland Pharmacy Trust, Zeus (QLD) Pty Limited in its own right and as Trustee for the Huang Family Trust and HIP Queensland Pty Limited in its own right and as Trustee for KL Runaway Bay Trust (collectively as the borrowers) and Ken Lee, Lawrence Nguyen and Allen Huang (as the guarantors).

The borrowers have requested the lender to make available to the borrowers the facility to assist them in purchasing the pharmacy business known as Runaway Bay Pharmacy (to become Health Information Pharmacy Runaway Bay) located at Runaway Bay Shopping Town, Lae Street, Runaway Bay Queensland.

The Directors advise the borrowers and pharmacy have been assessed using the Leverage Finance assessment criteria (see Section 9 Additional Information).

The facility is provided by way of secondary loan in the amount of \$710,000. The term of the secondary loan is 5 years from the date of the agreement. Interest is payable on the loan at the lower rate of 18% per annum (calculated with monthly rests) and at a higher rate that is 4% above the lower rate. The lower rate of interest is subject to review by the lender at six month intervals in accordance with the movements of the Consumer Price Index (All Groups – Sydney).

Leverage Finance Pty Limited holds registered Fixed & floating company charges in respect of each of the borrowers being a company together with a registered mortgage of the business over Castle Hill Pharmacy (Health Information Pharmacy Castle Hill) by Ken and Julia Lee and a registered mortgage over the lease of the premises, a guarantee & Indemnity from Ken Lee, Lawrence Nguyen and Allen Huang, small business & consumer guarantee & indemnity by Ken Lee, Julia Lee and Eferes Pty Limited, a deed of cross collateralisation between Ken Lee, Julia Lee and Eferes Pty Limited.

(b) Morningside store

This is a Deed of secondary Loan dated 28 April 2006 between Leverage Finance Pty Limited (as the Lender), Lawsfield Holdings Pty Limited in its own right and as Trustee for the Queensland Pharmacy Trust, Health for Tomorrow Pty Limited in its own rights and as Trustee for the Lin Family Trust and HIP Queensland Pty Limited in its own right and as Trustee for KL Morningside Trust (collectively as the borrowers) and Ken Lee, Lawrence Nguyen and Meng-Min Ming Lin (as the guarantors).

The borrowers have requested the lender to make available to the borrowers the facility to assist them in purchasing the pharmacy business known as Morningside Day & Night Pharmacy (to become Health Information Pharmacy Morningside) located at 612 Wynnum Road Morningside, Queensland.

The Directors advise the borrowers and pharmacy have been assessed using the Leverage Finance assessment criteria (see Section 9 Additional Information).

The facility is provided by way of secondary loan in the amount of \$351,000. The term of the secondary loan is 5 years from the date of the Agreement. Interest is payable on the loan at the lower rate of 18% per annum (calculated with monthly rests) and at a higher rate that is 4% above the lower rate. The lower rate of interest is subject to review by the lender at six month intervals in accordance with the movements of the Consumer Price Index (All Groups – Sydney).

Leverage Finance Pty Limited holds registered Mortgage of the business over Castle Hill Pharmacy (Health Information Pharmacy Castle Hill) by Ken and Julia Lee and a registered mortgage over the lease of the premises, a guarantee & indemnity from Ken Lee, Lawrence Nguyen and Alan Huang, small business & consumer guarantee & indemnity by Ken Lee, Julia Lee and Eferes Pty Limited, a deed of cross collateralisation between Ken Lee, Julia Lee and Eferes Pty Limited.

8.5 Transitional Guarantee & Release Agreement

By this agreement dated 17 April 2006, the owners of the pharmacy stores located at Castle Hill and Narrabeen agreed to guarantee the Company's future obligations by providing to Health Corporation Limited their equity interest in those stores for use as security by Health Corporation Limited in respect of a loan facility from a third party lender for the purpose of acquiring additional pharmacy stores for expansion of

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the Health Information Pharmacy Franchise network. In consideration of the owners providing the collateral to the Company, the Company agrees to issue to each of the owners ordinary Shares in the Company in the proportions set out in that agreement, totalling 866,667 ordinary Shares.

The Shares were issued on 9 September 2006.

The Company intends to release the Owners from the Agreement within one year from the date of the agreement (in respect of the Narrabeen store) and within two years from the date of the agreement (in respect of the Castle Hill store).

8.6 HIP IP Business Transfer Deed

By this Deed dated 1 July 2006 between Health Information Systems Worldwide Pty Ltd as Trustee for HIST (as the transferor) and HIP IP Pty Ltd (as the transferee), HIST agrees to sell and HIP IP Pty Ltd agrees to purchase the business (including the business assets and the intellectual property rights) of franchising the Health Information Pharmacy brand and system. HIST shall be paid a royalty of 3% on any international revenues earned in respect of intellectual property rights that do not relate to Australia.

Ken Lee is the specified beneficiary of HIST. The additional members of the class of beneficiaries include Mr Lee's relatives as described in the trust deed.

The intellectual property rights transferred to HIP IP Pty Ltd in respect of the Health Information Pharmacy business include Chemconsult®, Platinum Care Club, TeamMaximiser®, HIPPOS, Group Purchasing and Business Coaching.

In consideration of the transfer by HIST to HIP IP Pty Ltd of the business, HIP IP Pty Ltd allocated to HIST 33,100,000 non-redeemable ordinary shares in HIP IP Pty Ltd and agreed to assume the following liabilities:

- (a) \$110,000 owing by HIST to Helen Lee and Albert Lee (pursuant to a loan agreement dated 30 June 2006, discussed below);
- (b) \$193,228 owing by HIST to Ken Lee and Julia Lee (pursuant to a loan agreement dated 30 June 2006, discussed below);
- (c) \$78,367 owing to Eferes as Trustee for the Lee Family Trust Lee (pursuant to a loan agreement dated 30 June 2006, discussed below); and

- (d) \$162,397 owing in respect of office fit-out and computer costs.

The 33,100,000 non-redeemable ordinary shares in HIP IP Pty Ltd have since been rolled over to Health Corporation Limited by way of scrip for scrip rollover.

8.7 Licence Agreement

This is a Licence Agreement between HIP IP Pty Ltd (as the Licensor) and Health Information Pharmacy Franchising Pty Limited (as the Licensee) dated 1 July 2006 in respect of the use by HIP Franchising Pty Ltd of the Health Information Pharmacy franchise system together with all intellectual property rights (as set out in the HIP IP Business Transfer Deed). Pursuant to the terms of the agreement, Health Information Pharmacy Franchising Pty Limited is required to pay to HIP IP Pty Limited the sum of \$100 by way of a licence fee.

8.8 Employee Share Plan

This is an employee share scheme for the benefit of employees of Health Corporation Limited. The Board may from time to time determine who is entitled to participate in the employee Share scheme and may issue invitations to them to apply for the grant of ordinary Shares in Health Corporation Limited to the employee or a relative or associate nominated by the employee. On issue of invitations to apply for ordinary Shares the Company must send the employee a Share Application which must be signed by the employee and returned to the Company within 5 business days. Upon the Company receiving the signed Share Application the Company must grant the relevant number of ordinary Shares and issue the employee with a Share Certificate.

The number of ordinary Shares that may be issued under the plan when aggregated with the number of ordinary Shares that may be issued to a trustee under an employee Share plan and the number of ordinary Shares issued by the Company during the preceding five years under any employee Share plan must not exceed 5% of the issue of ordinary Shares at the time of the grant of the Share Application.

The Company has issued 752,666 ordinary Shares under this Plan.

8.9 Employee Share Option Plan

This is an employee Share Option plan for the benefit of employees of Health Corporation Limited. The Board may from time-to-time determine who is entitled to

participate in the employee Share Option plan and may issue invitations to them to apply for the grant of ordinary Shares in Health Corporation Limited to the employee or a relative or associate nominated by the employee. On issue of invitations to apply for ordinary Shares the Company must send the employee a Share Application which must be signed by the employee and returned to the Company within five business days. Upon the Company receiving the signed Share Application the Company must grant the relevant number of ordinary Shares and issue the employee with a Share Certificate.

The number of ordinary Shares that may be issued under the Option plan when aggregated with the number of ordinary Shares that may be issued to a trustee under an employee Share Option plan and the number of ordinary Shares issued by the Company during the proceeding five years under any employee Share Option plan must not exceed 5% of the issue of ordinary Shares at the time of the grant of the Share Application.

The Company has issued 410,000 Options under the Plan exercisable at \$1.20 and expiring on 1 December 2011.

8.10 Franchisee Incentive Option Plan

Under this Plan, up to 8,000,000 Options will be made available at the discretion of the Directors, subject to the Corporations Act and the Listing Rules, to new franchisees (including existing franchisees who acquire additional stores).

The exercise price of each Option shall be determined by the Board at its absolute discretion, provided however, that the price must not be below the market price at the time of issue. In the case of Options to be issued under the Plan in calendar year 2006, the Board has determined that the exercise price will be \$1.20 and the expiry date will be 1 December 2011.

The number of Options issued to an eligible franchisee, subject to the discretion of the Board, shall be determined as follows:

- (a) If the Eligible Franchisee elects to utilise the funding facility through Leverage Finance Pty Limited, then they will be eligible to receive up to three Options for every \$1 of revenue received by the Company from the eligible franchisee representing the initial franchise fee and financing fee;
- (b) Otherwise, one Option for every \$1 received by the Company from the eligible franchisee representing the initial franchise fee.

The Company will seek official quotation of any Options issued under the Plan.

8.11 Employment Agreements

The following employment agreements exist between the Company and each of the persons below:

(a) Ken Lee

This is an agreement between Health Corporation Limited and Ken Beng Chye Lee dated 1 July 2006 in respect of the appointment of Mr Lee (Executive Director) as a Managing Director and Chief Executive Officer of the Company. Remuneration under the agreement is \$175,000 per annum together with \$20,000 motor vehicle allowance. The appointment shall commence on the date of the agreement and continue for a term of three years unless terminated in accordance with the provisions of the agreement.

The duties assigned to Mr Lee include the following:

- (i) ensuring that target budgets are achieved;
- (ii) ensuring that the Company has effective and motivated management, staff and consulting team;
- (iii) providing leadership to all employees;
- (iv) expanding and developing the Company's operations including obtaining all necessary government and statutory approvals, negotiating contracts and liaising with franchisees and consultants;
- (v) developing a corporate business plan as determined by the Directors; and
- (vi) monthly report to the Board on the Company's activities.

(b) Brian Keen

This is an agreement between Health Corporation Limited and Brian Ernest Keen dated 1 July 2006 in respect of the appointment of Mr Keen (Executive Director) as the Recruitment and Marketing Director of the Company. The appointment shall commence on the date of the agreement and continue for a term of 3 years unless terminated in accordance with the provisions of the Agreement. Remuneration under the agreement is \$90,000 per annum together with a bonus scheme, which is outlined below:

Each new franchise issued	\$6,000
Each pharmacy acquisition	\$5,000
Each medical centre opportunity sourced	\$4,000
Each medical centre project facilitated	\$6,000

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The duties assigned to Mr Keen include the following:

- (i) expanding and developing the growth of the number of company franchised outlets;
- (ii) ensuring that the company has an effective and motivated recruitment division;
- (iii) ensuring that target recruitment budgets are achieved;
- (iv) supporting the company management in developing the corporate business plan as determined by the Directors; and
- (v) diligently filling the role as a Director of the company.

(c) Cheryl Lee

This is an agreement between Health Corporation Limited and Cheryl Lee dated 1 September 2006 in respect of the appointment of Ms Lee as Financial Controller and Joint Company Secretary. Remuneration under the agreement is \$130,800 per annum (inclusive of employer's compulsory superannuation contribution and fees as a Financial Controller and Joint Company Secretary of the Company). The appointment shall commence on the date of the agreement and continue for a term of three years unless terminated in accordance with the provisions of the agreement.

The duties assigned to Ms Lee include the following:

- (i) set up accounting functions and processes for Health Corporation Limited and all subsidiaries;
- (ii) daily operation accounting functions for Health Corporation Limited and subsidiaries;
- (iii) operation of HIP MBA Pty Ltd;
- (iv) supervising accounting staff;
- (v) monthly reporting to the Board on the Company's financial activities;
- (vi) preparation and lodgement of all necessary company documents as required; and
- (vii) working in joint cooperation with the other Company Secretary and delegation of tasks.

8.12 Coin Equities Pty Limited – Term Sheet

This is a consultancy agreement between Coin Equities Pty Limited a company controlled by Jack Tan and Health Corporation Limited dated 29 June 2006, whereby Coin Equities Pty Limited agrees to coordinate the listing process of Health Corporation Limited (including managing the professionals, reviewing, preparing documents and reports, and general consulting) and to provide consultation advice with respect to the proposed capital structure and valuation of assets for injection into the Company.

Pursuant to this agreement, Health Corporation Limited agrees to pay to Coin Equities Pty Limited \$75,000 as consultant fees (payable three days after the successful listing of the Company on the ASX).

8.13 Engagement Letter – Findlay & Co Stockbrokers Limited

By this agreement dated 28 September 2006, Findlay & Co Stockbrokers Limited agree to act as sponsoring broker to a proposed offer of Shares in the Company pursuant to this Prospectus. The period of mandate shall expire upon the date of quotation of the Shares, or if applicable, the earlier termination of the mandate. In consideration of the services provided by Findlay & Co, the Company agrees to pay to Findlay & Co:

- (a) \$30,000 (exclusive of GST) by way of an administration fee;
- (b) A fee equivalent to 1% (exclusive of GST) on the total amount raised by the Company pursuant to the Offer;
- (c) 500,000 Options in the Company; and
- (d) all reasonable expenses incurred by Findlay & Co relating to the Offer (including communication, legal and accounting expenses).

8.14 Engagement Letter – Bourse Communications Limited

Pursuant to an agreement dated 15 October 2006, Bourse Communications Pty Limited has agreed to provide marketing services to the Company for the purpose of obtaining a broader market profile of the Company.

In consideration of the services provided by Bourse Communications Pty Limited, the Company agrees to pay to Bourse Communications Pty Limited \$6,000 (plus GST) for services provided prior to the lodgement of this Prospectus, plus \$50,000 for services for the three months after the lodgement of this Prospectus, to be satisfied by the issue of 83,333 shares to nominees of Bourse Communications Pty Limited after expiry of this period. In addition, the Company will reimburse Bourse Communications Pty Limited out of pocket and client's expenses.

8.15 Engagement Letter – Robert Lees

On 16 October 2006, the Company entered into a retainer agreement with Mr Robert Lees, of Coysec Services Pty Limited whereby the Company will pay Mr Lees a fee of \$150 per hour plus GST for time spent by Mr Lees in his role as Company Secretary and Chief Financial Officer of the Company.



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Figure: 9.1

DESCRIPTION OF EXPENSE	\$3.24M – MINIMUM SUBSCRIPTION	\$7.5M – MAXIMUM SUBSCRIPTION
ASIC Fees	3,000	3,000
ASX Fees	53,000	66,000
Sponsoring Broker's Fees	62,400	105,000
Broker's Commissions	161,600	375,000
Legal Fees (estimated)	113,000	113,000
Accounting & Independent Reports	50,000	50,000
Prospectus Costs – Design, Printing & Mailing fees	30,000	35,000
Consultants Fees	75,000	75,000
Share Registry Fees	15,000	25,000
Related Expenses	40,000	50,000
TOTAL	\$603,000	\$897,000

9.1 Expenses of the Offer

It is anticipated that the expenses of the Offer will be approximately \$603,000 upon minimum subscription or \$897,000 upon maximum subscription. These expenses include the costs of the Investigating Accountant's Report, legal fees, Share registry fees, accounting fees, Broker's fees, ASX and ASIC fees, and printing, administrative and distribution costs.

Fees and commissions will be paid in connection with the Issue to the following (amount exclusive of GST):

Please refer to Figure 9.1.

9.2 Consents and Disclaimers of Responsibilities

Each of the parties (referred to as a Consenting Party named in the table below) have given their consent in accordance with the Corporations Act. Each Consenting Party:

- Other than as outlined below, has not made any statements in this Prospectus or any statement on which a statement made in this Prospectus is based;
- To the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus in the form and context in which it appears;
- Has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to:

- be named in this Prospectus in the form and context in which it is named; and
- the inclusion in this Prospectus of the statements specified in Figure 9.2 on opposite page.

9.3 Rights Attaching to Shares

The Shares to be issued pursuant to this Prospectus are ordinary shares and will as from their allotment rank equally in all respects with all ordinary fully paid shares in the Company.

The rights attaching to the Shares arise from a combination of the Company's Constitution, the Corporations Act, the ASX Listing Rules and general law. A copy of the Company's Constitution is available for inspection during business hours at its registered office.

A summary of the more significant rights is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's shareholders. To obtain such a statement, persons should seek independent legal advice.

Issue of shares

The Directors have sole power to issue Shares in the Company. Subject to the Constitution, the Corporations

Figure: 9.2

CONSENTING PARTY	ROLE	STATEMENTS MADE IN THIS PROSPECTUS
Hall Chadwick Chartered Accountants	Auditor	None
Hall Chadwick Corporate (NSW) Ltd	Investigating Accountants	Investigating Accountants Report
Registries Limited	Share Registry	None
Gye Associates Lawyers	Legal Adviser	None
Findlay & Co Stockbrokers Ltd	Sponsoring Broker	None
Robert Lees	Company Secretary and CFO	None
Cheryl Lee	Company Secretary and Financial Controller	None
Brian Taylor	General Manager	None

Act and the Listing Rules, Shares and Options in the Company may be issued on any conditions as determined by the Directors.

Variation of rights

The Company can only vary the rights attaching to a class of Shares if the holders of 75% of the Shares issued in that class consent to the variation in writing or a special resolution is passed at a general meeting of the holders of that class of Shares allowing the variation to be made. However, this clause does not apply if the terms on which Shares in that class were issued state otherwise.

Transfer of Shares

Subject to the Listing Rules, a Shareholder may transfer Shares to another person by completing a written transfer document in a common form or a proper SCH transfer, or a form approved by the Directors, each having to be signed by or on behalf of the Shareholder and the transferee. Subject to the provisions of the Corporations Act and the Listing Rules, the Directors may, in their absolute discretion, refuse to register any transfer of Shares or other securities.

Annual General Meetings

Notice of every general meeting must be given in the manner authorised by the Constitution to every Shareholder. Except when the Corporations Act and the Listing Rules permit shorter notice to be given, 28 clear days notice must be given to all persons entitled to receive those notices from the Company. All notices must specify the place and day and hour of the meeting and for any business, the general nature of that business.

Voting

At any general meeting a resolution put to the vote of the meeting is decided on a show of hands of all Shareholder entitled to vote unless a poll is (before or on the declaration of the result of the show of hands) demanded according to the Constitution. On a resolution to be decided on a show of hands, each holder of an ordinary security who has a right to vote must be entitled to one vote, in accordance with the Listing Rules.

A poll may be demanded by the chairperson, or by at least 5 members present in person or by proxy or as representative of a Company entitled to vote on the resolution, or by a Shareholder or Shareholders present in person or by proxy or as representative and representing at least 5% of the votes that may be cast on the resolution on a poll.

Appointment, removal of directors

The minimum number of Directors is 3. The maximum number is 10. The Company must hold an election of Directors each year in accordance with the Listing Rules. Each of the Directors will hold office until the director vacates the office or is removed under the Constitution. At each annual general meeting one-third of the Directors (except for the managing Director), or, if their number is not three or a multiple of three, then the number nearest but not exceeding one-third, shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. No Director except a Managing Director (if there is only one) shall retain office for a period in excess of three

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years or past the third annual general meeting, whichever is longer, without submitting himself for re-election. Subject to the Listing Rules, the Directors have power at any time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors.

Directors' fees and remuneration

Subject to the Listing Rules, the Directors shall be entitled to receive remuneration for their services as Directors as determined by the Company in general meeting. Unless otherwise directed by the resolution approving the remuneration, the sum is to be divided among the Directors in any proportions as the Directors may agree, or failing agreement, equally. Fees payable to Non-Executive Directors shall be by a fixed sum and not by a commission on or percentage of profit or operating revenue. Remuneration and fees payable to Executive Directors shall not include a commission on or percentage of operating revenue.

Dividends

The Directors alone may declare a dividend to be paid to Shareholders. The dividend is payable as soon as it is declared, unless the Directors specify a later time for payment. Subject to the Listing Rules relating to partly paid securities, all dividends are apportioned and paid proportionately to the amounts paid or credited as paid on the Shares in proportion to the relevant issue price for the Shares. This clause is subject to the rights of persons (if any) entitled to Shares with special rights as to dividends. The holder of any restricted securities under the Listing Rules who is in breach of the Listing Rules or any escrow agreement in respect of the restricted securities is not entitled to receive dividends.

Winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company. For this purpose the liquidator may set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

Indemnity

The Company must continually indemnify each Director, officer and employee against liability (including liability for costs and expenses) for an act or omission in the capacity of Director, officer or employee of the Company. However, this does not apply in respect of a

liability to the Company or a related body corporate; a liability to some other person that arises out of conduct involving a lack of good faith; a liability for costs and expenses incurred by the officer in defending civil or criminal proceedings in which judgment is given against the officer or in which the officer is not acquitted; or a liability for costs and expenses incurred by the officer in connection with an unsuccessful application for relief under the Corporations Act, in connection with the aforementioned proceedings.

9.4 Taxation

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each Shareholder. All potential Investors in the Company are urged to take independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its current and proposed officers and each of their respective advisors accept no responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

9.5 Company Tax Status

The Directors expect that the Company will be taxed in Australia as a public company.

9.6 Litigation

There is no litigation of any nature or threatened which may affect the Company or its activities.

9.7 Dividends

The Company does not intend to pay any dividends for the year ending 30 June 2007. Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon the availability of distributable earnings, operating results, financial condition, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

9.8 Documents Available for Inspection

Copies of the material contracts and the Constitution of the Company are available for inspection during normal business hours free of charge at the registered office of the Company for a period of at least 12 months from the date of issue of this Prospectus.

Figure: 9.9

INTERESTS OF THE DIRECTORS	NUMBER OF SHARES		NUMBER OF OPTIONS		DIRECTORS FEES	EXECUTIVE FEES
	Directly	Indirectly	Directly	Indirectly		
Ken Lee		34,642,173		5,750,000		\$195,000
Brian Keen		1,550,000		250,000		\$90,000
Graham Dunkley		250,000		250,000	\$30,000	
Jack Tan					\$20,000	
Greg Albert	250,000		250,000		\$20,000	
Lawrence Nguyen		738,616		200,000	\$20,000	

9.9 Interests and Remuneration of Directors

Directors' Security Holdings

Set out in Figure 9.9, above, are details of the Directors' relevant interests in the Shares and Options of the Company as at the date of this Prospectus.

Directors' Remuneration

The Constitution provides that each Director is entitled to such remuneration from the Company as the Directors decide but the total amount provided to all Non-Executive Directors must not exceed in aggregate the amount fixed by the Company in a general meeting. The aggregate remuneration for all Non-Executive Directors has been set at an amount of \$150,000 per annum at a general meeting on 28 August 2006. The Directors have resolved that Non-Executive Director's fees will be \$30,000 per annum for the Chairman and \$20,000 per annum for Non-Executive Directors, inclusive of statutory superannuation contributions. The remuneration of the Executive Directors will be determined by the Board.

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

9.10 Directors' Related Entity Services

Non-Executive Director – Jack Tan is a Director of Coin Equities which acts as a corporate advisor to Health Corporation Limited.

9.11 Other Relevant Interests

Ken Lee presently has an interest in 7 pharmacies within the Health Information Pharmacy Franchising network,

namely Castle Hill (NSW), Narrabeen (NSW), Dee Why (NSW), Hurstville (NSW), Miami (Qld), Morningside (Qld) and Runaway Bay (Qld).

Lawrence Nguyen presently has an interest in 8 pharmacies within the Health Information Pharmacy Franchising network, namely Croydon Park (NSW), Kingswood (NSW), Narrabeen (NSW), Dee Why (NSW), Hurstville (NSW), Miami (Qld), Morningside (Qld) and Runaway Bay (Qld).

The Directors have entered into franchise agreements with the Company as described in Section 7 of the Prospectus. Ken Lee and Lawrence Nguyen both have a 25% interest in respect of the Narabeen store, a 14.29% interest in respect of the Dee Why store, 50% interest in the Miami store and an approximate 33.33% interest in respect of the Hurstville Morningside and Runaway Bay stores. Ken Lee has a 50% interest (the other 50% interest being held by his wife, Julia Lee) in respect of the Castle Hill Store. Lawrence Nguyen has a 100% interest in the Croydon Park Store.

The Directors may become franchisees or, alternatively, increase the number of franchisee stores but only on the same terms and conditions as all other existing franchisees or market participants. All Directors' dealings in this regard will be fully disclosed.

9.12 Payments to Directors and Associates

From the proceeds of the Offer the Company will pay to Coin Equities Pty Ltd, a company associated with Jack Tan, a fee of \$75,000.

9.13 Tax File Numbers

An applicant for New Shares is not obliged to quote his or her Tax File Number (TFN) however, in cases where no

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TFN is quoted the Company must deduct tax from any dividend payable (to the extent that they are not franked) at the top personal margin rate plus Medicare Levy, which presently amounts to 46.50% in aggregate. There are special rules for the quotation or non-quotation of TFN's applying to different categories of investors such as non-residents of Australia, tax exempt bodies, joint holders and other special categories. Applications by individuals, companies, partnerships, trustees, superannuation funds and approved deposit funds are largely unaffected by any special rules and therefore may quote a TFN by simply completing the TFN details on the application form.

The above does not purport to be an exhaustive statement of the law relating to TFN's and is provided as a guide only. If you are in any doubt, please consult your accountant, lawyer or taxation consultant.

9.14 Taxation Obligations

The taxation obligations and the effects of the participation in this Offer can vary depending upon the circumstances of each individual investor, the particular circumstances relating to his/her holding of securities and the taxation laws applicable to investors of residents of different jurisdictions.

Investors who are in doubt as to their taxation position should seek professional advice. It is solely the responsibility of the individual applications to inform themselves of their taxation position resulting from participation in this Offer.

The above does not purport to be an exhaustive statement of the law relating to TFNs and is provided as a guide only. If you are in any doubt, please consult your accountant, lawyer or taxation consultant.

9.15 Directors' and Others' Interest

Other than as set out in this section or elsewhere in this Prospectus, no Director or proposed Director; person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or promoter of the Company; holds, or has held within two years before the date of this Prospectus, any interest in the Offer, the formation or promotion of the Company, or any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer.

Registries Limited has been appointed as Health Corporation Limited's Share registry and will be paid for these services on normal commercial terms.

Hall Chadwick Corporate (NSW) Ltd has prepared the Investigating Accountant's Report for which they will be paid an estimated fee of \$50,000. Hall Chadwick Corporate (NSW) Ltd has not performed any other work for the Company within the last two years before lodgement of this Prospectus. However, their related entity, Hall Chadwick Chartered Accountants has acted as auditors of the Company. The Company will pay for auditing or related services in the normal course of business.

Gye Associates Lawyers has acted as solicitors to the Offer for which they will be paid an estimated fee of \$100,000. During the two years prior to the lodgement of this Prospectus with ASIC, GAL has not provided any other legal services to the Company.

Findlay & Co Stockbrokers Ltd is the Sponsoring Broker to this Offer. Total fees payable to Findlay & Co Stockbrokers Ltd in relation to this Prospectus are \$30,000 by way of an administration fee, a fee equivalent to 1% of the total amount raised by the Company pursuant to the offer, and all reasonable expenses incurred by Findlay & Co relating to the offer. Findlay & Co Stockbrokers Ltd will also receive 500,000 Options in the Company as part of the Offer. During the two years prior to the lodgement of this Prospectus with ASIC, Findlay & Co Stockbrokers Ltd has not received any fees for services provided to the Company.

Coin Equities Pty Ltd has acted as consultants to the Company from 1 July 2006 for which it has received a monthly fee of \$3,000 plus GST. In addition, Coin Equities Pty Ltd will receive \$75,000 on the successful listing of the Company on the ASX.

All outstanding professional fees owing by the Company will be paid within three days of the Company receiving approval for re-quotation, including all legal fees, accountancy fees, audit, and Share registry expenses.

Bourse Communications Pty Limited has acted as a consultant to the Company for the proposed listing of Health Corporation Limited and has agreed to provide an additional three months of ongoing marketing services. Total fees payable to Bourse Communications Pty Limited is \$6,000 (plus GST) for services provided prior to the lodgement of this Prospectus, plus \$50,000 for services for the three months after the lodgement of this Prospectus, to be satisfied by the issue of 83,333 shares to nominees of Bourse Communications Pty Limited after expiry of this period. In addition, the Company will reimburse Bourse Communications Pty Limited out of pocket and client's expenses.

Leverage Finance – Risk Assessment Criteria

Commercial Advance Facilities

The terms and conditions for these proposed facilities are typical for facilities of their general nature. All facilities will be subject to an annual review.

Purpose	Assist with the purchase of an existing retail pharmacy with a minimum of 3 years trading history plus the costs of re-developing / upgrading to the HIP franchise model and/ or the relocation to another site under conversion to the HIP franchise model.
Eligibility	This policy relates exclusively to the provision of secondary finance to the franchisee members and pre-qualified Accelerated Ownership Program members of HIP; the financing is to allow the acquisition of existing pharmacies which are members of, or acquired in order to join, the HIP system in conjunction with approved financing from an approved HIP Primary Lender.
Credit Limit	Maximum amount not to exceed up to 20% of the "as is" market value. Maximum Credit Limit for any one transaction is not to exceed \$1,000,000.00. Maximum LVR of 100% inclusive between Leverage Finance and any other lender to the Borrower for any loan/s provided to assist with the purchase of the pharmacy.
Interest Rate	18% per annum subject to confirmation following our due diligence and credit assessment.

Conditions Precedent

The following are the conditions precedent which must be satisfied before we will provide any of the proposed facilities or allow drawing on any proposed facility:

Independent Valuation report	The valuation report that we commission confirms, in accordance with our standard instructions, a valuation which is satisfactory to the Company.
Interest Cover Ratio (ICR)	ICR > 1.50 times in year 1 and then to ratchet up to meet projected minimum 2.0 times from year 3. Interest Expense includes interest on all loans provided for the purchase and establishment of the pharmacy.
Loan to Business Value Ratio (LVBR)	Credit Limit Business Value LBVR < 20%
Profitability	Profitability > 8% – being Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) divided by the gross annual sales.
Inventory Turnover	Inventory Turnover > 3.5x – being stock turns per annum based on gross annual sales divided by average stock value.
Rent Ratio	Rent Ratio < 10% – being annual gross rental expressed as a percentage of gross sales.
Wages Ratio	Wages Ratio < 20% - being annual gross wages expressed as a percentage of gross sales.

Additional INFORMATION

Fees and Costs

Origination Fee	Origination Fee means the fee charged by the Lender for evaluating the Borrowers' financial condition, evaluating recording and procuring all necessary guarantees and other security arrangements and for all related attendances.
Placement Fee	Placement Fee means the fee charged by the Lender for arrangement of the Facility and being for the term of the Loan and being payable by the Borrowers on entering this Deed.

Decision Making Policy

There is to be no automated decision making in relation to lending. All loans must have board approval after meeting all criteria outlined in this lending policy. Adherence to policy is the direct responsibility of the "Loan Manager"

The HIP 'Primary Lender'	All loans granted under this policy will take account of the terms and conditions of the HIP Primary Lender.
Credit Quality	Credit quality will be either a pass or a fail. Credit quality is determined via the Verification Process which is to occur concurrently with the process of credit approval from the HIP Primary Lender. To obtain a pass credit risk rating the business and borrower applying for finance must achieve a pass in all the criteria and have received credit approval from the HIP Primary Lender.
Verification Process	Fully completed and executed a Finance Verification of Signatory (100 point checklist) Form.
HIP Membership	Be a franchisee member and/or pre-qualified Accelerated Ownership Program member of HIP.
Experience	Have a minimum of two years retail experience.
Collateral	<ul style="list-style-type: none">- To have produced identification and acceptable valuations- Satisfied Loan to Value Ratios.
Income/Cash Flow	Meets servicing capacity test. Provides acceptable financial information.
Customer Conduct	The customer has the skills to successfully manage the existing pharmacy as determined by previous experience and professional accreditation.
Documentation	All documentation must be accurately documented and approved by Legal Counsel under all circumstances without any exceptions. Documentation is the responsibility of the Loan Manager and Settlements Officer.
Authorisation	Execution only upon authorisation by specific staff members.



definitions

AND GLOSSARY

10

Definitions

AND GLOSSARY

Figure: 10A

GLOSSARY OF NAMES AND TERMS

ABBREVIATION	TERM
AEST	Australian Eastern Standard Time – Sydney.
AOP	Accelerated Ownership Program.
Applicant	A person applying for Shares offered by this Prospectus.
Application	An application for New Shares and Options offered by this Prospectus.
Application Form(s)	The Application Forms appearing at or near the last page in this Prospectus.
ASIC	Australian Securities and Investment Commission.
Associate(s)	Shall have the meaning ascribed to it under section 9 of the Corporations Act.
ASX	ASX Limited ABN 98 008 624 691.
ASX Listing Rules	The Official Listing Rules of the ASX, as amended from time to time.
Board	The Board of Directors of the Company.
Broker	A broker to this Offer.
CHESS	Clearing House Electronic Sub-register System.
Closing Date	Means 5.00pm AEST on 30 November 2006.
Company	Health Corporation Limited ACN116 800 269.
Constitution	The constitution of the Company.
Consenting Party	Each of the persons referred to in section 9.2 of this Prospectus.
Corporations Act	The Corporations Act 2001 (Cth).
CPI	Consumer Price Index (All Groups).
Director(s)	The director(s) of the Company from time to time.
Dollar or \$	Means, unless otherwise stated, the lawful currency of the Commonwealth of Australia.
Executive Director(s)	Director(s) who provide an executorial function in respect of the day to day management of the Company, pursuant to an employment agreement, as described in section 7 of this Prospectus.
GST	Goods and Services Tax.
HCL	Health Corporation Limited ACN 116 800 269 (in accountant's report).
HEA	Health Corporation Limited ACN 116 800 269.
HIP	Health Information Pharmacy.
HIPF	Health Information Pharmacy Franchising Pty Ltd.
HIST	Health Information Systems Trust.
Lease	Means the lease of the premises described in Section 7.3 of the Prospectus.

Listing Rules	Means the business rules of ASX as published from time to time which govern the admission of entities to the official list of the ASX, quotation of securities and disclosure obligations of listed companies.
Minimum Subscription	Means the minimum subscription for \$3.24 million comprising 5,400,000 New Shares.
Maximum Subscription	Means the maximum subscription for \$7.5 million comprising 12,500,000 New Shares.
New Shares	Shares in the Company to be issued under this Prospectus.
Non-Executive Director(s)	Director(s) who are not Executive Director(s).
Offer or Issue	The offer pursuant to this Prospectus of 12,500,000 New Shares to the public at an issue price of \$0.60 each, payable in full on Application, with one free attaching Option for every two New Shares.
Official List	The official list of the ASX.
Official Quotation	Means official quotation by ASX in accordance with the Listing Rules.
Opening Date	Means the first date on which Application Forms can be processed.
Option	An option to acquire one Share in the Company.
Option Entitlement	The entitlement of one Option for every two New Shares applied for under this Prospectus.
PBS	Pharmaceutical Benefits Scheme.
Priority Applications	Persons entitled to apply under the Priority Offer.
Priority Closing Date	Means 5.00pm AEST on 13 November 2006.
Priority Offer	Has the meaning set out in Section 1.2 of this Prospectus.
Prospectus	This Prospectus.
SCH Business Rules	The SCH Business Rules issued by ASX Settlement and Transfer Corporation Pty Ltd.
Securities	Shall have the meaning ascribed to it under section 9 of the Corporations Act.
Share(s)	Fully paid ordinary shares in the Company.
Shareholder(s)	Shareholder(s) in the Company.
Sponsoring Broker	Means Findlay & Co Stockbrokers Ltd.
Subsidiary	Shall have the meaning ascribed to it under section 9 of the Corporations Act.
Version 1	Means version one of the franchise agreement dated 2 September 2003 and described in Section 7.1 of the Prospectus.
Version 2	Means version two of the franchise agreements which was introduced in or around 2004 and described in Section 7.1 of the Prospectus.
Version 3	Means version three of the franchise agreements being the new Franchise Agreements introduced in 2005 and described in or around Section 7.2 of the Prospectus.

Definitions

AND GLOSSARY

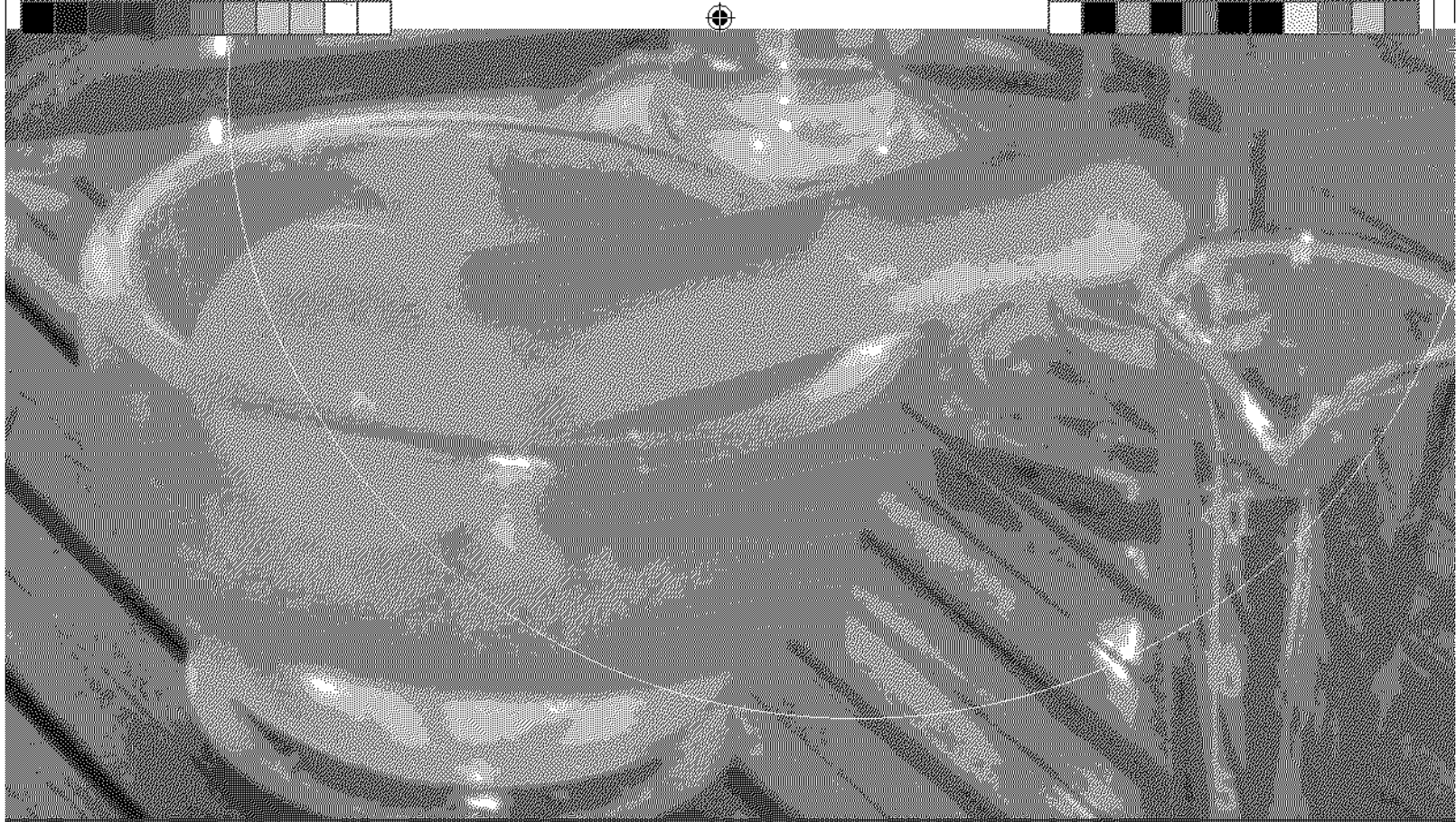
Figure: 10B

TERMS AND CONDITIONS OF OPTIONS OFFERED UNDER THE OFFER

THE TERMS AND CONDITIONS OF THE ISSUE OF THE OPTIONS GRANTED WILL ENTITLE THE HOLDER TO SUBSCRIBE FOR AND BE ALLOTTED SHARES AS FOLLOWS:

The terms and conditions of the issue of the Options granted will entitle the holder to subscribe for and be allotted Shares as follows:—


- a) Each Option entitles the holder to subscribe for and be allotted one ordinary share in the capital of the Company. The exercise price is \$1.20 per Option.
- b) The Options may be exercised at any time until 1 December 2011 (the "Expiry Date"). All Options which have not been exercised on or before the Expiry Date will lapse.
- c) The Options are transferable except to the extent of any restriction under the ASX Listing Rules during an escrow period. Application will be made to the ASX for Official Quotation of the Options.
- d) Shares will be allotted and issued pursuant to the exercise of Options not more than 10 business days after receipt of a properly executed Notice of Exercise and payment of the requisite application moneys.
- e) Shares issued upon exercise of the Option will rank *pari passu* in all respects with the Company's fully paid ordinary Shares. The Company will apply for Official Quotation by the ASX of all Shares issued upon the exercise of Options within three Business Days after the date of allotment of these Shares.
- f) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered or made to the Shareholders during the currency of the Options. However, the Company will send a notice to each Option holder at least 10 business days before the record date for any proposed issue of capital. This will give the Option holder the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- g) There are no rights to a change in the exercise price, or in the number of Shares over which the Options can be exercised in the event of a bonus issue by the Company prior to the exercise of any Options.
- h) In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of the reorganisation.
- i) The Company will, at least 20 business days before the Expiry Date, send notices to the Option holders stating the same to the Option holder, the number of Options held, the number of Shares to be issued on exercise of the Options, the exercise price, the due date for payment of the exercise price, and the consequences of non-payment.



director's

AUTHORISATION

11



Director's AUTHORISATION

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statement made by the Directors in this Prospectus is not misleading or deceptive. With respect to any statements made in the Prospectus other than by the Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that the persons making those statements are competent to make such statements, those persons have given their consent to the statements included in this Prospectus in the form and context in which they are included and have not withdrawn their consent before lodgement of this Prospectus.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement with ASIC of this Prospectus and has not withdrawn that consent.

This Prospectus has been signed by Mr Graham Dunkley on behalf of the Directors in accordance with a resolution of the Directors.

Dated this 2nd day of November 2006



Graham Dunkley
Non-Executive Chairman

[PIN CHEQUE(S) HERE

Application form Health Corporation Limited

ABN 30 116 800 269

Fill out this Application Form if you want to apply for new shares issued by Health Corporation Limited.

- Please read the Prospectus dated 2 November 2006.
- Follow the instructions to complete this Application Form (see reverse).
- Print clearly in capital letters using black or blue pen.

Broker Reference – Stamp Only

Broker Code Advisor Code

A Number of Shares you are applying for

x \$0.60 per Share =

B Total amount payable

\$

Minimum of 3400 Shares with attaching Options to be applied for and thereafter in multiples of 100 Shares with attaching Options.

C Write the name(s) you wish to register the Shares in (see reverse for instructions)

Applicant 1

Name of Applicant 2 or < Account Designation >

Name of Applicant 3 or < Account Designation >

D Write your postal address here

Number / Street

Suburb/Town

State

Postcode

E CHES participant – Holder Identification Number (HIN)

X

Important please note if the name & address details above in sections C & D do not match exactly with your registration details held at CHES, any Shares issued as a result of your application will be held on the Issuer Sponsored subregister.

F Enter your Tax File Number(s), ABN, or exemption category

Applicant #1 Applicant #2

Applicant #3

G Payment details – Payment can be made by either Cheque or Credit Card

CHEQUE PAYMENT – Please enter details of the cheque(s) that accompany this application.

Name of drawer of cheque	Cheque No.	BSB No.	Account No.	Cheque Amount AS
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

CREDIT CARD PAYMENT – Please enter details below

Mast Visa Bankcard (tick appropriate box)

Card No: Expiry Date: /

Name on Credit Card:

Signature:

[PIN CHEQUE(S) HERE

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CREDIT CARD PAYMENT – Please enter details below

Master Visa Bankcard (tick appropriate box)

Card No: Expiry Date: /

Name on Credit Card:

Signature:

GUIDE TO THE APPLICATION FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

If applying for Shares, insert the number of Shares for which you wish to subscribe at Item A (not less than 3400 and then in multiples of 100). Multiply by \$0.60 AUD to calculate the total for Shares and enter the \$amount at B.

C. Write your full name. Initials are not acceptable for first names.

D. Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. (NB: your registration details provided must match your CHESS account exactly).

F. Enter your Australian tax file number ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory

and will not affect your Application Form. However, if no TFN is quoted your dividends and distributions may be taxed at the highest marginal tax rate plus Medicare Levy.

G. Payment can be made by either cheque or credit card. If you are paying by cheque, please enter your cheque details in the area provided. Make your cheque payable to "Health Corporation Limited Share Issue Account" marked "Not Negotiable". Cheques must be made in Australian currency and must be drawn on an Australian Bank. If you are paying by credit card, please enter your credit card details in the area provided. You MUST print clearly if the details provided can not read your application may not be accepted.

H. Enter your contact details so we may contact you regarding your Application Form or Application Monies.

I. Enter your email address so we may contact you regarding your Application Form or Application Monies or forward other correspondence to you.

J. Enter the location of the Health Information pharmacy that you visit.

Correct Forms of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to Health Corporation Limited. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below:

TYPE OF INVESTOR	CORRECT FORM OF REGISTRABLE TITLE	INCORRECT FORM OF REGISTRABLE TITLE
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lie John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgement

Mail your completed Application Form with cheque(s) attached to the following address:

MAILING ADDRESS	DELIVERY ADDRESS
Health Corporation Limited C/- Registries Limited PO Box R67 Royal Exchange SYDNEY NSW 1223	Health Corporation Limited C/- Registries Limited Level 2 28 Margaret Street SYDNEY NSW 2000

It is not necessary to sign or otherwise execute the Application Form, unless investing via Credit Card. Credit Card applications may be faxed to: 61 2 9279 0664. If you have any questions as to how to complete the Application Form, please contact Offer Information Line on: Tel: 61 2 9290 9600.

Important Notice:

The Corporations Act prohibits any person from passing on to another person the Application Form which was attached to this Prospectus for the issue of Shares, unless the Application Form is attached to or accompanying a complete and unaltered copy of the Prospectus. A person who gives another person access to the Application Form must at the same time and by the same means give the other person access to the Prospectus and any supplementary Prospectus. A paper copy of the Prospectus, any supplementary Prospectus and the Application Form will be provided to you, at no charge, upon request to the Issuer or the Lead Manager. Applications for Shares will only be accepted if made on an Application Form issued together with this Prospectus.

Privacy Statement:

Registries Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form. Our privacy policy is available on our website (http://www.registriesltd.com.au/help/security_privacy.html)

GUIDE TO THE PRIORITY APPLICATION FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

A. If applying for Shares, insert the number of Shares for which you wish to subscribe at Item A (not less than 3400 and then in multiples of 100). Multiply by \$0.60 AUD to calculate the total for Shares and enter the \$ amount at Item B.

C. Write your full name. Initials are not acceptable for first names.

D. Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. (NB: your registration details provided must match your CHESS account exactly).

F. Enter your Australian tax file number ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form. However, if no TFN is quoted your dividends and distributions may be taxed at the highest marginal tax rate plus Medicare Levy.

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H. Enter your contact details so we may contact you regarding your Application Form or Application Monies.

I. Enter your email address so we may contact you regarding your Application Form or Application Monies or forward other correspondence to you.

J. Enter the location of the Health Information pharmacy that you visit.

K. To be eligible for Priority enter if you are a Platinum Care Club member/customer or if you are an employee of Health Corporation Ltd or an associated franchise. If you are an employee enter which store or company you are employed by.

Correct Forms of Registrable Title

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[PIN CHEQUE(S) HERE

Priority Application form Health Corporation Limited

ABN 30 116 800 269

Fill out this Application Form if you want to apply for new shares issued by Health Corporation Limited.

- Please read the Prospectus dated 2 November 2006.
- Follow the instructions to complete this Application Form (see reverse).
- Print clearly in capital letters using black or blue pen.

Broker Reference – Stamp Only

Broker Code

Advisor Code

A Number of Shares you are applying for

x \$0.60 per Share =

B Total amount payable

\$

Minimum of 3400 Shares with attaching Options to be applied for and thereafter in multiples of 100 Shares with attaching Options.

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Applicant 1

Name of Applicant 2 or < Account Designation >

Name of Applicant 3 or < Account Designation >

D Write your postal address here

Number / Street

Suburb/Town State Postcode

E CHES participant – Holder Identification Number (HIN)

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Important please note if the name & address details above in sections C & D do not match exactly with your registration details held at CHES, any Shares issued as a result of your application will be held on the Issuer Sponsored subregister.

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Applicant #3

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CREDIT CARD PAYMENT – Please enter details below

Mast Visa Bankcard (tick appropriate box)

Card No: Expiry Date: /

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CREDIT CARD PAYMENT – Please enter details below

Mast Visa Bankcard (tick appropriate box)

Card No: Expiry Date: /

Name on Credit Card:

Signature:



health corporation Limited

Prospectus

Health Corporation Limited
Suite 311, 33 Lexington Drive
Norwest Business Park NSW 2153

Please forward all correspondence to
PO Box 7064
Baulkham Hills BC NSW 2153

Phone: +61 2 9836 1115
Fax: +61 2 9836 1192
Email: admin@hip.com.au
Web: www.hip.com.au

