Healthia Limited and its Controlled Entities
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Healthia Limited
ACN:	608 550 607
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	89.6%	to	65,084
Loss from ordinary activities after tax attributable to the owners of Healthia Limited	down	38.3%	to	(1,238)
Loss for the year attributable to the owners of Healthia Limited	down	38.3%	to	(1,238)

	2019 Cents	2018 Cents
Basic earnings per share	(2.25)	(*)
Diluted earnings per share	(2.25)	(*)

*Despite the Consolidated Entity applying the continuation method of accounting for the acquisition of My FootDr (Aust) Limited (see Note 2 for further details), FY18 basic earnings per share and diluted earnings per share 30 June 2018 comparatives have not been presented, due to incomparable operations and capital structure.

Dividends

There were no dividends paid, recommended or declared during the current financial period to the ordinary shareholders of Healthia Limited.

Dividends were paid during the current financial year to non-controlling interests, being the clinic class shareholders of Healthia Limited subsidiaries.

There were no dividends paid, recommended or declared during the previous financial period to the ordinary shareholders of Healthia Limited. Dividends were paid during the previous financial year to non-controlling interests.

Comments
The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $1,238,000 (30 June 2018: $2,007,000).

Healthia Limited was incorporated on 10 May 2018 as a holding company to acquire the podiatry and physiotherapy service businesses as part of the Initial Public Offer (IPO) of Healthia Limited.

During the financial year, the Consolidated Entity underwent significant corporate and capital restructuring to allow it to ultimately list on the (ASX) on 11 September 2018. At the same time as listing the Consolidated Entity acquired 48 allied health businesses. A further 12 allied health businesses were acquired between September 2018 and June 2019. These significant events should be considered when interpreting the statutory financial results.

An explanation of the statutory and pro-forma underlying figures is contained in 'Review of Operations' included within the Director's report in the attached Financial Report of Healthia Limited.

In accordance with Australian Accounting Standards the acquisition of My FootDr (Aust) Ltd (the owner of the My FootDr podiatry clinics) by Healthia Limited does not meet the definition of a business combination within the provisions of AASB 3 Business Combinations as Healthia Limited was established for the sole purpose of acquiring the My FootDr (Aust) Ltd by way of equity. Therefore, the Consolidated Entity applied the continuation method of accounting for the acquisition of My FootDr (Aust) Ltd in this Financial Report of Healthia Limited. Therefore, all comparative figures stated in this Appendix 4E and the attached Financial Report of Healthia Limited are in relation to My FootDr (Aust) Ltd for the corresponding comparative period.

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(20.89)	(149.59)

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4. Control gained over entities

For details of the control gained over entities in the year, refer to Note 36 Business Combination and Note 37 Interests in Subsidiaries in the Annual Report attached.

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5. Loss of control over entities

Not applicable.

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6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period to the ordinary shareholders of Healthia Limited.

Dividends were paid during the current financial year to non-controlling interests, being the clinic class shareholders of Healthia Limited subsidiaries.

Previous period
There were no dividends paid, recommended or declared during the previous financial period to the ordinary shareholders of Healthia Limited.

Dividends were paid during the previous financial year to non-controlling interests.

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period $'000	Previous period $'000
Fracture Holdco Pty Ltd	45.00%	-	-	-

On 29 May 2019, the Consolidated Entity acquired an interest in Fracture Holdco Pty Ltd. This entity did not trade during the current financial year and therefore made no contribution to profit

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

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11. Attachments

Details of attachments (if any):

The Annual Report of Healthia Limited for the year ended 30 June 2019 is attached.

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12. Signed

Signed ____________________________ Date: 30 August 2019

Healthia

Better Health. Better Lives.

ANNUAL REPORT 2019

Healthia Limited and its Controlled Entities

ACN 608 550 607

Annual Report - 30 June 2019

Healthia Limited and its Controlled Entities
Corporate directory
30 June 2019

Directors	Dr Glen Richards Paul Wilson Lisa Dalton Darren Stewart Anthony Ganter Wesley Coote (Appointed 29 April 2019)
Company secretary	Christopher Banks (Appointed 21 June 2019)
Notice of annual general meeting	The Annual General Meeting of Healthia Limited will be held on 20 November 2019.
Registered office	Level 4 East Tower 25 Montpelier Road Bowen Hills QLD 4006
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 www.linkmarketservices.com.au
Auditor	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000 www.bdo.com.au
Solicitors	Clayton Utz Level 28, Riparian Plaza 71 Eagle Street Brisbane QLD 4000 www.claytonutz.com.au Colin Biggers & Paisley Level 35, 1 Eagle Street Brisbane QLD 4000 www.cbp.com.au
Website	www.healthia.com.au
Corporate Governance Statement	The Consolidated Entity's directors and management are committed to conducting the company's business in an ethical manner and in accordance with the highest standards of corporate governance. The Consolidated Entity has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) to the extent appropriate to the size and nature of the company's operations The Consolidated Entity's policies can be found on its website: https://www.healthia.com.au/corporate-governance/
ASX Listing Rule 4.10.19 Statement	The Consolidated Entity confirms that, in accordance with ASX Listing Rule 4.10.19, that it has used the cash (and assets in a form readily convertible to cash) from the time of admission in a way that is consistent with its business objectives during the period from admission to the reporting date.

Dear fellow shareholders,

On behalf of the Board of Healthia Limited (Healthia or HLA or Company or Group or the Consolidated Entity), it is my pleasure to present the Consolidated Entity's first annual report for the year ended 30 June 2019.

After successfully listing on the Australian Securities Exchange on 11 September 2018, it has been a transformational year for the Consolidated Entity with our key focus on building solid foundations for ongoing growth.

Targeted Allied Health Markets

The Consolidated Entity is focused on building its profile through the consolidation of the podiatry and physiotherapy industries. Both industries continue to experience increasing demand due to the ageing Australian population, the rise in disposable incomes and an increase in health consciousness.

The addressable industry revenue for the podiatry and physiotherapy industries is circa $2.5b. Both industries remain highly fragmented with no competitor holding more than 3.0% market share.

Given the characteristics of the podiatry and physiotherapy industries, and the fragmented nature of both, the Board believes there is significant opportunity for the Consolidated Entity to continue to consolidate these industries.

Portfolio Growth

At listing, the Consolidated Entity's portfolio consisted of 104 allied health businesses, encompassing the following well established businesses:

1. 72 podiatry clinics, including 54 My FootDr clinics;
2. 23 physiotherapy clinics, including 14 Allsports Physiotherapy clinics;
3. 7 speciality hand therapy clinics trading as Extend Rehabilitation;
4. 1 orthotics laboratory trading as iOrthotics; and
5. 75% of a podiatry and foot care supplies and equipment wholesale business trading as D.B.S. Medical.

In less than 12 months since listing in September 2018, the Consolidated Entity has grown its portfolio through the acquisition of an additional 5 podiatry clinics, 15 physiotherapy clinics and 4 speciality hand therapy clinics. This has seen the business deploy approximately $14.466m of new capital to acquire an additional $17.485m of revenue and $3.373m of EBITDA between September 2018 and August 2019.

Acquisition Funding

At the reporting date, the Consolidated Entity has $17.4m of additional head room in its $37m finance facility with the Australian and New Zealand Bank (ANZ) and the Bank of Queensland (BOQ). We will continue to use this debt, future operating cash flow and clinic class shares to fund future acquisitions.

Increase in Service Offering

During the financial year, the Consolidated Entity leveraged its podiatry and speciality hand therapy workforce to expand and co-locate podiatry and speciality hand therapy services inside existing physiotherapy clinics. Introducing these services into physiotherapy clinics allows the business to better leverage productivity from the clinical and administration teams, whilst utilising existing space to generate more revenue.

Vertical Integrated Businesses

The Consolidated Entity's ownership of iOrthotics and its 75% ownership interest in D.B.S. Medical has allowed the Company to vertically integrate a number of the core supply functions of the podiatry segment, allowing for cost savings and margin improvements to occur. As an example, during the reporting period iOrthotics produced over 20,000 pairs of orthotics for the Company’s podiatry clinics. The orthotics are produced by iOrthotics at a cost that is 40% to 60% lower than what the clinic could typically purchase those orthotics from an external lab. This model is scalable and is expected to produce significant savings for the Company, as newly acquired podiatry clinics transition their orthotics manufacturing to iOrthotics.

Clinic Retention Program

A key focus of the Consolidated Entity is to retain and incentivise its clinicians. the Consolidated Entity has developed a clinician retention program (Clinician Retention Program) which, in addition to a series of structured learning and education programs, allows our clinicians to have an ownership interest in the Company's clinics. Under the Clinician Retention Program, the clinicians are given the opportunity to acquire clinic class shares (Clinic Class Shares).

Clinic Class Shares are non-voting shares which entitle the holder to a share of any dividend declared, which arise from and is calculated on the performance of the clinic in which the Clinic Class Shares are issued. The Clinic Class Shares are designed to create alignment between the interests of clinicians and shareholders. We consider this model as a compelling proposition for our patients, our clinicians and our investors.

At Listing, there was 1,267 Clinic Class shares in 49 different classes on issue in the Company's subsidiaries. At the reporting date, this had increased to 1,935 Clinic Class Shares, in 70 different classes. The additional shares have been issued to clinicians as part consideration for newly acquired clinics and/ or for cash consideration paid to the Consolidated Entity.

As at 30 June 2019, the Clinic Class Shares on issue represented an economic interest of approximately 19.4% in the earnings of the Company.

Operational Highlights

Key operational highlights for the Consolidated Entity since listing include:

- Each of the clinics systems have been centralised and integrated into those of the Consolidated Entity's shared services
- The Podiatry Clinical Advisory Committee and Physiotherapy Clinical Advisory Committee, comprising of experienced clinicians, has been established to oversee the clinical governance, compliance and education programs of the Consolidated Entity and its clinicians
- The recruitment and training of 33 new graduate clinicians (16 podiatrists and 17 physiotherapists). All graduates started in early 2019 and have been put through our comprehensive new graduate induction program. These new team members are the future leaders and future clinic class shareholders of the Consolidated Entity
- In addition to the graduate program, each clinician of the Consolidated Entity has participated in various clinical education. Furthermore, we have finalised plans for our inaugural Healthia clinical conference which is scheduled to place between 12-13 October 2019. This conference will provide team members with a unique opportunity to attend a collaborative and collegial professional development event unlike any other.
- An additional HP Fusion Jet 3D printer was purchased by iOrthotics allowing for additional orthotic manufacturing capacity.
- Plans are being finalised to take iOrthotics 3D printing technology to North America and Europe.

Results

In the Company's first year of reporting, the Consolidated Group recorded a loss after providing for income tax and non-controlling interest of $1.238m. Pro-forma underlying net profit after tax and before amortisation was $6.113m, exceeding the pro-forma prospectus net profit after tax and before amortisation of $5.515m.

Table 1: Pro-forma Underlying Financial Performance to Prospectus Pro-forma Forecast FY19

This table has not been audited	**Pro-forma Underlying Year to 30 June 2019 (1,2) $'000**	**Prospectus Pro-forma Forecast 2019 $'000**	**Change $'000**	**Change %**
Revenue from continuing operations	76,555	71,802	4,753	6.62%
Direct and operating expenses	(64,892)	(61,533)	3,359	5.46%
EBITDA (3)	11,663	10,269	1,394	13.57%
EBITDA Margin %	15.3%	14.3%		
Depreciation	(1,794)	(1,431)	363	25.39%
Amortisation	(458)	(366)	92	25.03%
Profit before finance costs and income tax expenses	9,411	8,472	939	11.08%
Net finance expense	(1,331)	(959)	372	38.79%
Profit before income tax expense	8,080	7,513	567	7.54%
Income tax expense	(2,424)	(2,364)	60	2.53%
Profit after income tax expense	5,656	5,149	507	9.84%
Amortisation	458	366	(92)	25.03%
Profit after income tax expense and before amortisation (4)	6,113	5,515	598	10.85%
Non-controlling interest	(1,242)	(752)	490	65.21%
Net profit after tax and before amortisation attributed to the owners of the Consolidated Entity (5)	4,871	4,763	108	2.26%

Notes
1. After excluding the impact of acquisition, IPO, restructuring and integration costs
2. Proforma basis as if the acquisitions made during the financial year were all completed on 1 July 2018
3. Pro-forma Underlying EBITDA is a non-IFRS measure and equals Earnings before interest, tax, depreciation, amortisation, acquisition costs, IPO costs, restructuring and integration costs
4. Pro-forma Underlying Profit after income tax expense and before amortisation is a non-IFRS measure
5. Pro-forma Underlying Net profit after tax and before amortisation attributed to the owners of the Consolidated Entity is a non-IFRS measure

A reconciliation between Pro-forma Underlying results and Statutory results can be found in the Review of Operations in the Directors report.

The results are the reward of significant effort and focus from the Consolidated Entity team to integrate not only the listed portfolio of clinics but also those clinics that have joined the Consolidated Entity since listing. Furthermore, the Board and Management are pleased that during a period of significant change the clinics have been able to exceed prospectus forecast earnings. These results demonstrate the robust nature of the earnings of our allied health businesses and confirms the Consolidated Entity's business model, including our Clinic Retention Program.

The Board and Management would like to thank our clinic teams and administration staff for their dedication and hard working during the year. All the milestones the Consolidated Entity was able to achieve during the year would not have been possible without them.

Outlook

The Consolidated Entity will continue to focus on delivering growth from its four-tiered growth strategy: patient focused outcomes, organic growth, future accretive acquisitions and vertically integrated businesses units.

Key organic growth drivers for the Consolidated Entity include:

- Increasing revenue of acquired clinics, including the introduction of podiatry services and speciality hand therapy services into physiotherapy clinics where these services do not already exist however a demand for the service does
- Investment in equipment and technology upgrades to expand the services provided in the clinics
- New graduate recruitment for CY2020 is currently underway with all new graduates expected to commence in late January 2020 and will complete our structured new graduate training program
- Utilisation of the vertically integrated businesses of iOrthotics and D.B.S Medical to drive buying synergies and margin improvement
- Continue working on optimisation of existing clinics, refine current marketing initiatives, generating cost efficiencies through scale and improved clinic management, and
- Education of all clinicians to ensure standards of care are maintained and patient outcomes are optimal

The Consolidated Entity will continue to acquire well-established allied health businesses throughout Australia. The Consolidated Entity will assess opportunities on a case by case basis with reference to its existing network of clinics, strategic objectives and disciplined acquisition criteria. During the financial year ended 30 June 2020, we expect to deploy a further $15m of capital for new allied health business acquisitions, with $10.5m already deployed at the date of this report.

FY19 was the foundation year for the Consolidated Entity which saw our time and effort spent on the integration of our existing and newly acquired clinics. We can now look forward with confidence that we have built a good foundation to acquire further quality businesses, and we continue to evolve our corporate support to ensure optimal workplaces for our clinicians (including through our education platform) which helps us to deliver and deliver returns to shareholders while educating our clinicians and optimising exceptional patient outcomes

Dr Glen Richards

Chairperson

The directors present their report, together with the financial statements, of Healthia Limited and its controlled entities (the 'Consolidated Entity') for the period ended 30 June 2019.

Directors
The following persons were Directors of Healthia Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Dr Glen Frank Richards
Paul David Wilson
Lisa Jane Dalton
Wesley Coote (appointed 29 April 2019)
Darren Lindsey Stewart
Anthony Peter Ganter

Principal activities
The principal activities of the Consolidated Entity consist of the following:
- the operation of podiatry service businesses throughout Australia; and
- the operation of physiotherapy service businesses throughout Australia.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial period to the ordinary shareholders of Healthia Limited.

Dividends were paid during the current and previous financial year to non-controlling interests, being the clinic class shareholders of Healthia Limited subsidiaries.

Review of operations
The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $1,238,000 (30 June 2018: $2,007,000).

ASX Listing
Healthia Limited was incorporated on 10 May 2018 as a holding company to acquire the podiatry and physiotherapy service businesses as part of the Initial Public Offer (IPO) of Healthia Limited. On 11 September 2018, the Consolidated Entity raised $34.391 million ($26.849 million underwritten offer and $7.542 million clinician participation offer) and was admitted to the Australian Securities Exchange (ASX).

Relevant matters in relation to the IPO and ASX listing are as follows:

Acquisition of the MFDA Group
Healthia Limited acquired all of the ordinary shares in My FootDr (Aust) Ltd (the MFDA Group) on 30 July 2018.

Accounting for the MFDA Acquisition
In accordance with Australian Accounting Standards the acquisition of MFDA Group by Healthia Limited does not meet the definition of a business combination within the provisions of AASB 3 Business Combinations as Healthia Limited was established for the sole purpose of acquiring the MFDA Group by way of equity. Therefore, the Consolidated Entity applied the continuation method of accounting for the combination of the MFDA Group in this Financial Report of Healthia Limited. Therefore, all comparative periods are in relation to the MFDA Group.

Under continuation accounting the Consolidated Entity is effectively adopting book value accounting whereby the assets and liabilities of the legal acquiree (MFDA Group) are recognised at their previous carrying amounts. No adjustments are made to reflect fair values and no new assets (including goodwill) and liabilities of the legal acquiree are recognised at the date of the business combination. Any difference between the acquired net assets and the consideration are recognised through reserves in equity.

Acquisition of Physiotherapy Group Holdings Ltd
Healthia Limited acquired all of the ordinary shares in Physiotherapy Group Holdings Ltd (PHL) on 18 July 2018. PHL did not trade during the financial year ended 30 June 2018 and held no business assets at the time of acquisition by Healthia Limited. PHL is the operating entity and the acquirer of the physiotherapy service businesses.

Physiotherapy Group Holdings Ltd was subsequently renamed to Allsports (Aust) Limited.

Acquisition of HTPL
Healthia Limited acquired all of the ordinary shares of A.C.N. 146 471 678 Pty Ltd (HTPL) on 18 July 2018. HTPL did not trade during the financial year ended 30 June 2018 and held no business assets at the time of acquisition by the Consolidated Entity. HTPL is the operating entity and the acquirer of the Extend Rehabilitation businesses.

A.C.N. 146 471 678 Pty Ltd was subsequently renamed to Extend Rehab Pty Ltd.

Financial Overview – Statutory Performance
The directors are pleased to report the results for the first year of trading results as a listed entity.

During the financial year, the Consolidated Entity underwent significant corporate and capital restructuring to allow it to ultimately list on the (ASX) on 11 September 2018. At the same time as listing the Consolidated Entity acquired 48 allied health businesses. A further 12 allied health businesses were acquired between September 2018 and June 2019. These significant events should be considered when interpreting the statutory financial results.

The FY19 statutory performance compared to the FY18 statutory performance of the Consolidated Entity is as follows:

Table 1: FY19 statutory performance compared to FY18 statutory performance

	Year to 30 June 2019 $'000	Year to 30 June 2018 $'000	Change $'000	Change %
Revenue from continuing operations	65,084	34,325	30,759	89.6%
Direct and operating expenses	(60,826)	(34,527)	26,299	76.2%
EBITDA	**4,258**	**(202)**	4,460	NA
EBITDA Margin %	**6.5%**	**-0.6%**		
Depreciation	(1,549)	(1,011)	538	53.2%
Amortisation	(395)	(173)	222	128.3%
Profit before finance costs and income tax	**2,314**	**(1,386)**	3,700	NA
Net finance expense	(1,331)	(1,052)	279	26.5%
Profit before income tax expense	**983**	**(2,438)**	3,421	NA
Income tax expense	(1,266)	499	1,765	NA
Profit after income tax expense	**(283)**	**(1,939)**	1,656	85.4%
Amortisation	395	173	(222)	128.3%
Profit after income tax expense and before amortisation	**112**	**(1,766)**	1,878	106.3%

Notes
1. EBITDA is a non-IFRS measure and equals Earnings before interest, tax, depreciation and amortisation
2. Profit after income tax expense and before amortisation is a non-IFRS measure

Revenue

Statutory revenue was up $30.759m, or 89.6%, compare to FY18 statutory revenue. The increase in the Consolidated Entity's revenue compared with the statutory revenue from FY18 was primarily driven by the acquisitions made at the time of listing on the ASX and the further 12 acquisitions made throughout the financial year.

The Consolidated Entity experienced some disruption while consolidating the initial listed portfolio of businesses, integrating systems and processes. The impact on revenue has not been quantified by the directors and management of the Consolidated Entity.

EBITDA Margin %

Statutory FY19 EBITDA margin of 6.5% was up on Statutory FY18 EBITDA margin of (0.6%). However, both years have been affected by the significant one-off acquisition and IPO costs incurred by the Consolidated Entity.

Other factors effecting the Statutory FY19 EBITDA margin are:

- One-off restructuring costs in relation to the changes to a number of the Consolidated Entity's clinics, including merging two clinics and closing one, and the cost of redundant systems.
- The Consolidated Entity's recruitment and training of 33 new graduate clinicians (16 podiatrists and 17 physiotherapists in early 2019. These new clinicians were not forecasted for in the prospectus and were recruited to assist with the continued growth of the clinics. This increased salary and wages for the Consolidated Entity as the new graduate clinicians are not as productive as their peers. These new graduate clinicians are the future leaders and clinic class shareholders and are an important investment for the Consolidated Entity.
- There was an increase in support office costs of the Consolidated Entity during the financial year to manage the growth of the Consolidated Entity.

2019 Pro-forma Underlying Results

To assist users, information about the pro-forma underlying performance of the Consolidated Entity is presented, which excludes the impact of one-off acquisition costs, integration costs, restructuring costs and other one-off costs. The pro-forma underlying performance is provided on an unaudited basis and a reconciliation between statutory and pro-forma underlying performance is provided further below in table 2. These numbers presented below are an annualised estimate.

The following table highlights the pro-forma underlying performance of the Consolidated Entity:

Table 2: Pro-forma Underlying Financial Performance to Proforma Prospectus Forecast FY19

This table has not been audited	**Pro-forma Underlying Performance Year to 30 June 2019 [1,2]**	**Prospectus Pro-forma Forecast FY19**	**Change**	**Change**
	$'000	**$'000**	**$'000**	**%**
Revenue from continuing operations	76,555	71,802	4,753	6.6%
Direct and operating expenses	(64,892)	(61,533)	3,359	5.5%
EBITDA [3]	**11,663**	**10,269**	1,394	13.6%
EBITDA Margin %	**15.2%**	**14.3%**		+90bps
Depreciation	(1,803)	(1,431)	372	26.0%
Amortisation	(460)	(366)	94	25.6%
Profit before finance costs and income tax expenses	**9,400**	**8,472**	928	10.9%
Net finance expense	(1,331)	(959)	372	38.8%
Profit before income tax expense	**8,069**	**7,513**	556	7.4%
Income tax expense	(2,421)	(2,364)	57	2.4%
Profit after income tax expense	**5,648**	**5,149**	499	9.7%
Amortisation	460	366	(94)	25.6%
Profit after income tax expense and before amortisation [4]	**6,108**	**5,515**	593	10.8%
Non-controlling interest	(1,239)	(752)	487	64.7%
Net profit after tax and before amortisation attributed to the owners of Healthia [5]	**4,869**	**4,763**	106	2.2%

Notes

1. After excluding the impact of acquisition, IPO, restructuring and integration costs
2. Proforma basis as if the acquisitions made during the financial year were all completed on 1 July 2018
3. Pro-forma Underlying EBITDA is a non-IFRS measure and equals Earnings before interest, tax, depreciation, amortisation, acquisition costs, IPO costs, restructuring and integration costs
4. Pro-forma Underlying EBITDA Profit after income tax expense and before amortisation is a non-IFRS measure
5. Pro-forma Underlying EBITDA Net profit after tax and before amortisation attributed to the owners of the Consolidated Entity is a non-IFRS measure

Revenue
The change in the Consolidated Entity's revenue compared with the above tables was primarily driven by the 12 acquisitions made between September 2018 and June 2019.

Organic revenue growth of 2.0% (Podiatry Segment 1.3% and Physiotherapy Segment 3.0%) was achieved by the Consolidated Entity. Organic revenue growth is calculated by excluding any closed clinics and the clinics acquired after listing on the ASX between September 2018 and June 2019.

The pro-forma prospectus forecast FY19 results illustrated in the tables above estimated that consolidation elimination entries from internally generated revenue from iOrthotics and DBS would be $2.814m. The actual eliminated revenue upon consolidation was $3.573m, or $0.759m more than forecast. This has had the effect of reduced pro-forma underlying revenue, increasing pro-forma underlying EBITDA Margin % but has not impacted pro-forma underlying EBITDA.

Consolidating the initial listed portfolio of businesses and integrating systems and processes was challenging. This, in turn, impacted the speed of new acquisitions post listing and revenue generation during the reporting period. The impact on revenue has not been quantified by the directors of the Consolidated Entity, however building solid foundations and integrating systems and processes was seen as paramount in setting the Consolidated Entity up for the future.

EBITDA
The Consolidated Entity's pro-forma underlying FY19 EBITDA of $11.663m outperformed pro-forma prospectus forecast FY19 EBITDA by $1.394m, or 13.6%. The increase in pro-forma underlying EBITDA was primarily driven by the 12 allied health business acquisitions made between September 2018 and June 2019.

During the financial year, corporate overheads increased over the pro-forma prospectus forecast FY19 corporate overheads by $0.347m. This had the effect of reducing pro-forma underlying FY19 EBITDA. The scale up in corporate overheads has allowed the Consolidated Entity to rapidly integrate the podiatry and physiotherapy clinics acquired at listing, as well as facilitating the acquisitions and integration of an additional 29 clinics since listing. Furthermore, these scaled up corporate overheads have set the Consolidated Entity up to manage its continued growth, including continued growth from acquisitions.

EBITDA Margin %
Pro-forma underlying EBITDA Margin % of 15.2% was higher than the pro-forma prospectus forecast FY19 EBITDA margin of 14.3%. The EBITDA Margin % increase was largely due to the increase in EBITDA Margin % of the Physiotherapy Segment.

The Consolidated Entity increased EBITDA Margin % despite the following factors which had a negative impact during the year:

- Recruitment and training of 33 new graduate clinicians (16 podiatrists and 17 physiotherapists) in early 2019. These new clinicians were not forecast and were recruited to assist with the continued growth of the clinics. This increased salary and wages as the new graduate clinicians are not as productive as their peers in their first 3 to 6 months of employment.
- The increase in corporate overheads of the Consolidated Entity over that forecast in the prospectus. The corporate overheads increased to assist the Consolidated Entity in realising its growth strategies.

Depreciation
Depreciation expense increased by $0.372m, or 26.0% over prospectus due to acquisitions not included in the prospectus, an increase in capital equipment costs for the integration of the clinic portfolio and the addition of an additional HP 3D fusion jet printer.
To assist users, information about the pro-forma underlying performance of the Consolidated Entity is presented, which excludes performance attributed to period before the Consolidated Entity's ownership, the impact of one-off acquisition costs, integration costs, restructuring costs and other one-off costs. A reconciliation of statutory performance to pro-forma underlying performance is as follows:

Table 3: Reconciliation of Statutory Performance to Proforma Underlying Performance

This table has not been audited	Revenue	EBITDA 3	NPATA attributed to the owners of Healthia 4
	$'000	$'000	$'000
Statutory Performance	65,084	4,258	(1,238)
Add: Acquisition and IPO related costs	-	4,261	4,261
Add: One-off integration and restructure costs	-	472	472
Add: Performance attributed to period before Healthia ownership	11,471	2,672	1,501
Less: Expected tax effect	-	-	(127)
Pro-forma underlying performance 1, 2	76,555	11,663	4,869

Notes

1.After excluding the impact of acquisition, IPO, restructuring and integration costs
2.Proforma basis as if the acquisitions made during the financial year were all completed on 1 July 2018
3.EBITDA is a non-IFRS measure and equals Earnings before interest, tax, depreciation and amortisation
4.NPATA attributed to the owners of Healthia is a non-IFRS measure and equals net profit/(loss) after tax and before amortisation attributed to the owners of Healthia

The Consolidated Entity incurred a number of one-off acquisition and IPO related costs in relation to the listing on the ASX and the acquisition of the podiatry and physiotherapy businesses. These acquisition and IPO related costs are detailed in the table below.

Table 4: Actual FY19 Acquisition and IPO Costs to Acquisition and IPO costs forecast in the Prospectus

This table has not been audited	2019 $000	2019 Prospectus $000	Change $000
Acquisition advisory and transaction costs	2,418	1,003	1,415
Stamp duty associated with IPO and further acquisitions	1,358	914	444
IPO advisory and transaction costs	351	-	351
ASX listing fees	134	-	134
	4,261	1,917	2,344

The Consolidated Entity incurred a number of one-off costs to rapidly integrate and centralise the systems of the allied health businesses acquired as part of the listing on the ASX. Furthermore, during the year the Consolidated Entity incurred a number of costs to restructure some of the existing clinics, including the merger of 2 clinics and closure of 1 clinic. These restructure and integration costs are detailed in the table below.

Table 5: One-off restructure and integration costs

This table has not been audited	2019 $000	2019 Prospectus $000	Change $000
Rent and closure costs of clinics	213	-	213
Staff restructuring costs and redundancies	153	-	153
Payouts or duplication of costs for a number of redundant systems	61	-	61
Write-off of assets and inventory for closed clinics	45	-	45
	472	-	472

Capital Management
The Consolidated Entity has drawn down $19.6M out of its total finance facility of $37.0M with Australian and New Zealand Bank and the Bank of Queensland at 30 June 2019.

The key financial covenants of the finance facility are:

- Leverage Ratio: (Debt: Adjusted EBITDA) must remain below or equal to 2.50 times;
- Fixed Charge Cover Ratio: (Adjusted EBITDA + rent expense) / (interest + rent expense) must remain above or equal to 1.75 times; and
- Debt to Capitalisation Ratio: Debt / (Debt + Book Value of Equity) must remain below than or equal to 50%.

At the reporting date, the Consolidated Entity had met all its obligations under the finance facility.

An amount of $17.4M remains underdrawn under the finance facility at the reporting date. The Consolidated Entity expects to use a combination of the undrawn debt amount, future operating cash flow and clinic class shares to fund future acquisitions.

Business Overview
The Consolidated Entity listed on the Australian Securities Exchange (ASX) on 11 September 2018 with an aim of becoming one of Australia's leading allied health providers. The Consolidated Entity owns and operates a portfolio of allied health businesses throughout Australia. The focus of the Consolidated Entity is to operate and expand a network of allied health businesses in Australia, with a focus on the podiatry and physiotherapy industries. At the reporting date, the Consolidated Entity owned the following allied health businesses:

- 80 podiatry clinics.
- 38 physiotherapy clinics.
- 13 speciality hand therapy clinics.
- One orthotics laboratory trading as iOrthotics.
- 75% of a podiatry and foot care supplies and equipment wholesale business trading as D.B.S. Medical.

Podiatry Segment Highlights
At the reporting date, the Consolidated Entity owned and operated the following podiatry businesses which make up the podiatry reporting segment of the Consolidated Entity:

- 80 podiatry clinics
- One orthotics laboratory trading as iOrthotics
- 75% of a podiatry and foot care supplies and equipment wholesale business trading as D.B.S. Medical

Operational highlights for the Podiatry Segment include:

- 8 additional podiatry clinics were acquired and integrated, growing the Consolidated Entity’s estimated share of podiatry industry revenue in Australia to approximately 5%
- Recruitment of 17 podiatry graduates who attended and completed the Consolidated Entity’s structured new graduate program
- The conversion of all podiatry clinics acquired at listing to the same practice management software system. Newly acquired clinics have either converted or are in the process of converting to the same centralised system. At the date of reporting, 74 of the 80 podiatry clinics where on the same practice management software
- 2 additional podiatry clinics were opened inside of existing physiotherapy clinics of the Consolidated Entity
- iOrthotics purchased an additional 3D HP Fusion Jet printer allowing for additional capacity to produce orthotics for the Consolidated Entity's clinics and external customers

Physiotherapy Segment Highlights
At the reporting date, the Consolidated Entity owned and operated the following physiotherapy businesses which make up the physiotherapy reporting segment of the Consolidated Entity:

- 38 physiotherapy clinics
- 13 speciality hand therapy clinics

Operational highlights for the Physiotherapy Segment include:

- The integration of the 14 Allsports Physiotherapy clinics, the 9 other physiotherapy clinics and 7 speciality hand therapy clinics acquired at the time of listing on the ASX, into the Consolidated Entity's centralised systems
- An additional 15 physiotherapy clinics acquired and integrated post listing on the ASX. 13 of the newly acquired physiotherapy clinics were located in Queensland. The remaining 2 clinics were the Consolidated Entity’s first physiotherapy clinics acquired outside of Queensland and are located in New South Wales and Victoria
- 4 additional speciality hand therapy clinics were acquired. The 4 clinics are located in Sydney, New South Wales
- The recruitment of 17 physiotherapy graduates who all attended and completed the Consolidated Entity's structured new graduate program
- 2 new Extend Rehabilitation specialist hand therapy clinics were opened inside of existing physiotherapy clinics of the Consolidated Entity

Organic growth Strategies
The Consolidated Entity aims to drive organic growth from its allied health businesses through the following four-tiered growth strategy:
1. patient focused outcomes
2. organic activities
3. future accretive acquisitions
4. vertically integrated businesses units

Key aspects of each of the four growth strategies are as follows:

1. Patient focused outcomes
The Consolidated Entity has adopted a patient charter which brings a collaborative approach to allied health care and is focussed on achieving quality patient outcomes. Through this approach, The Consolidated Entity expects its clinics, and its clinicians, will optimise patient outcomes. In addition to focussing on patient outcomes, the Consolidated Entity has in place programs to assist in increasing patient retention rates.

2. Organic activities
The Consolidated Entity is expected to continue to drive organic growth through a number of key operational strategies and via efficiencies gained from managing a larger portfolio of clinics. These organic growth strategies include:

- The delivery of world class education programs to increase standards of care across the portfolio of clinics
- The Clinical Advisory Committees, responsible for driving clinical standards
- Via our clinic class shareholders who continue to have a vested interest in the clinic in which they work
- Increasing revenue of acquired clinics by introducing additional services, including introducing podiatry or speciality hand therapy services into physiotherapy clinics
- Patient engagement via improved patient retention, satisfaction and communication
- Continued investment in equipment to introduce additional services into clinics
- Centralised administration freeing up clinical staff to deliver services to patients
- Operating from a common clinic management software allowing for ease of management of the Consolidated Entity, enhanced financial reporting and delivery of benchmarking metrics, as well as providing for stronger internal controls then that of a decentralised model

3. Future accretive acquisitions
Given the fragmented nature of the targeted allied health industries, growth by acquisition will continue to be a central pillar of the Consolidated Entity's growth strategy. The Consolidated Entity will continue to assess opportunities on a case by case basis with reference to its existing network of clinics, strategic objectives and the Consolidated Entity's acquisition criteria.

4. Vertically integrated businesses units
The Consolidated Entity's ownership of iOrthotics and its 75% interest in D.B.S. Medical allows for the Consolidated Entity to vertically integrate a number of the core supply functions, allowing for cost savings and margin improvements.

Geographical Spread
At reporting date, the Consolidated Entity's clinics were located in the following geographic areas:

Table 6: Clinic Overview by Geography

	Podiatry Clinics	Physiotherapy Clinics	Hand Therapy Clinics	Other Businesses	Total
Queensland	43	36	9	1	89
New South Wales	9	1	4	1	15
Victoria	11	1	-	-	12
Tasmanian	2	-	-	-	2
South Australia	8	-	-	-	8
Western Australia	5	-	-	-	5
Northern Territory	2	-	-	-	2
	80	38	13	2	133

The Consolidated Entity sees significant opportunities to continue to acquire podiatry and physiotherapy clinics in all states and territories of Australia.

Clinician Retention Program

A key focus for the Consolidated Entity is the retention and engagement of its workforce. The Consolidated Entity has developed its Clinician Retention Program to help achieve this. The Clinician Retention Program allows clinicians to have continued ownership in the Clinic in which they work through the issue to them (or their Board approved nominee) of Clinic Class Shares.

Clinic Class Shares have and will be issued to:

- Clinicians (or their nominees approved by the relevant board), as part consideration for the acquisition of a clinic by the Consolidated Entity
- Clinicians (or their nominees approved by the relevant board) for consideration and
- Any other holder that is approved by the relevant board for consideration

The Clinic Class Shares are designed to create alignment between the economic interests of clinicians and that of the Shareholders by providing the holder with an economic interest in the performance of the Clinic in the Consolidated Entity. The Clinic Class Shares are non-voting shares.

Holders of Clinic Class Shares will receive a cash dividend calculated by reference to the earnings derived from the Clinic relating to that class of Clinic Class Share in circumstances where, at the directors' discretion, a dividend is declared by the relevant Subsidiary to the Consolidated Entity. Each Clinic Class Share will entitle the holder to a dividend of up to 1% of the earnings generated by the Clinic to which the Clinic Class Share relates.

No more than 48 Clinic Class Shares can be issued in any class. As each Clinic Class Share entitles the holder to up to 1% of the after-tax profits generated by the clinic in which the clinician works, the effect of this is that the clinicians working in a clinic will not hold an economic interest of greater than 48% of the earnings generated by any clinic, ensuring that the Consolidated Entity retains economic control over its subsidiaries, in addition to owning all of the voting shares in them.

At Listing, there was 1,267 Clinic Class Shares, in 49 different classes on issue in the Consolidated Entity's operating subsidiaries. An additional 668 Clinic Class Shares, in 21 different classes have been issued by the Consolidated Entity's subsidiaries since listing. These additional shares have been issued to clinicians as part consideration for newly acquired clinics and/ or for consideration.

At 30 June 2019, the Clinic Class Shares on issue represent an economic interest of approximately 19.4% in the earnings of the Consolidated Entity.

Material Business Risks
The key risks that the Consolidated Entity faces that have the potential to have a material impact on the performance of the Consolidated Entity, and how they are managed are detailed below. The Consolidated Entity is committed to managing the potential risks it faces in a continuous and proactive way.

Retention and effective utilisation of clinicians

The Consolidated Entity's primary sources of earnings is generated from professional services provided by its clinicians. Performance will be influenced by the Consolidated Entity's ability to attract and retain, and by the efforts and actions of, its clinicians.

Under the terms of the standard employment agreement, clinicians can generally terminate their employment agreement without cause, subject to the provision of an agreed period of written notice to the Consolidated Entity.

If a significant number of clinicians ceased their employment with the Consolidated Entity, and the Consolidated Entity was unable to adequately replace these clinicians, this could have a material detrimental impact on the Company's ability to generate revenue, its ability to deliver on its business strategy, and its future financial performance.

Market attractive remuneration packages including incentive plans are offered to key personnel. Furthermore, the clinician retention program allows for clinicians to have ownership in their clinic. These factors are expected to encourage retention of key staff and also help attract new talent to the Consolidated Entity.

Private healthcare insurance coverage and membership

Material reductions in private health insurance coverage, composition of policy coverage and/or decreases in membership rates could impact total expenditure in the allied health industries targeted by The Consolidated Entity. If private health insurance membership, or the insured amounts, reduce, then this could potentially impact demand for the Consolidated Entity's services and put downward pressure on fees charged to patients.

Competition
There is a risk that increased competition from existing and new industry participants may impact The Consolidated Entity's revenue and profits. The Consolidated Entity may also face competition from other participants in the acquisition of clinics. This competition may increase the price that The Consolidated Entity must pay in order to secure the acquisition of new clinics or limit the clinics that The Consolidated Entity can acquire.

The Consolidated Entity, and its revenue, is also affected by competition between individual clinics operating within the same trade area of any of the Consolidated Entity's clinics.

The new graduate induction program, clinical education programs, the establishment of the Clinical Advisory Committees and the clinician retention program are key strategies used by the Consolidated Entity to mitigate this risk. Furthermore, the fragmented nature of the podiatry and physiotherapy industries in Australia means there is considerable opportunity for consolidation.

Integration Risks
The Consolidated Entity will continue to acquire new clinics and seek to integrate their systems into those the Consolidated Entity. Key integration risks include higher than expected integration costs, potential disruption to management time and the existing operations of the Consolidated Entity's businesses, lower than expected cost and revenue synergies from the vertically integrated B2B Businesses, the loss of patients and impairment of business relationships (such as with staff and suppliers). Potential issues could also arise from the inability to maintain uniform standards, controls, procedures and policies. Such integration risks can detract from the expected benefits contemplated by the Consolidated Entity and affect financial performance and growth.

The Consolidated Entity uses the following to help mitigate some of this risk:

- A detailed checklist used by the integrations and operations team
- An extensive due diligence process
- Clinic retention program and
- Vendor deferred payments

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Consolidated Entity other than those addressed in the Review of operations and Business overview sections of this Directors' Report.

Matters subsequent to the end of the financial year

Acquisition of Physiotherapy and Hand Therapy Clinics

The Consolidated Entity acquired an additional 7 physiotherapy and hand therapy clinics since 30 June 2019. Initial consideration paid for the acquisitions was $6.63 million including $4.01 million in cash consideration, $2.62 million in clinic class share consideration, with up to an additional $1.05 million payable in contingent consideration. The Consolidated Entity is yet to complete the business combination accounting for these newly acquired clinics.

These clinics are expected to contribute Revenue and EBITDA of $7.60 million and $1.79 million respectively on a pro-forma basis.

Acquisition of Podiatry Clinics

The Consolidated Entity acquired an additional 5 podiatry clinics since 30 June 2019. Initial consideration paid for the acquisitions was $2.62 million including $2.40 million in cash consideration, $0.22 million in clinic class share consideration, with up to an additional $0.20 million payable in contingent consideration. The Consolidated Entity is yet to complete the business combination accounting for these newly acquired clinics.

These clinics are expected to contribute Revenue and EBITDA of $3.40 million and $0.65 million respectively on a pro-forma basis.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Likely developments and expected results of operations

The Consolidated Entity will continue to focus on delivering growth via its four-tiered growth strategy:

1. patient focused outcomes
2. organic growth
3. future accretive acquisitions and
4. vertically integrated businesses units

The Consolidated Entity expects to continue to acquire well-established allied health businesses throughout Australia. The Consolidated Entity expect to deploy a further $15m of capital for the acquisition of new allied health businesses over the next 12 months. The Consolidated Entity expects to use a combination of the undrawn debt amount, future operating cash flow and clinic class shares to fund these acquisitions.

No other information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Information on the Consolidated Entity's performance during the year can be found in the review of operations.

Environmental regulation

The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	Dr Glen Frank Richards (appointed 10 May 2018)
Title:	Chairman and Non-Executive Director
Experience and expertise:	Glen is a veterinary surgeon and the founder and former CEO of Greencross Limited, Australia's largest pet care company. Glen has spent over 20 years building a multi-million-dollar integrated pet care empire, which now operates more than 180 veterinary hospitals and 230 pet care retail stores in Australia and Animates in New Zealand.
Other current directorships:	Chairman and non-executive director of People Infrastructure Ltd (ASX code: PPE) and Regeneus Ltd (ASX code: RGS).
Former directorships (last 3 years):	Non-executive director of 1300 Smiles Ltd (ASX code: ONT) Non-executive director of Greencross Ltd (ASX code: GXL)
Special responsibilities:	Member of the Audit and Risk Committee and the Remuneration and Nomination Committee.
Interests in shares:	4,995,329

Name:	Paul David Wilson (appointed 10 May 2018)
Title:	Independent Non-Executive Director
Experience and expertise:	Paul was a co-founder, director and shareholder of Mammoth Pet Holdings Pty Ltd (Pet Barn) prior to the merger with Greencross Limited. Prior to founding Mammoth, Paul was the Chief Operating Officer of ShopFast, Australia's largest online grocery retailer (sold to Coles in 2003). Paul has worked in the retail industry for 26 years with roles including, General Manager of Caltex/Boral JV, Vitalgas.
Other current directorships:	None
Former directorships (last 3 years):	Non-executive director of Greencross Ltd (ASX code: GXL)
Special responsibilities:	Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.
Interests in shares:	324,104

Name:	Lisa Jane Dalton (appointed 10 May 2018)
Title:	Independent Non-Executive Director
Experience and expertise:	Lisa is an experienced director, senior executive and company secretary with expertise in the healthcare, medical, utilities, manufacturing, childcare, energy, mining and construction sectors. She has experience in leading teams responsible for strategy, governance, risk management, human resources, communication, stakeholder relations and program management. Lisa has participated in 4 successful ASX listings in the past 5 years. Lisa has strong practical experience in fit for purpose governance, risk management, strategic planning and motivating teams to find solutions to complex issues.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.
Interests in shares:	None

Name:	Darren Lindsey Stewart (appointed 10 May 2018)
Title:	Chief Executive Officer Podiatry
Experience and expertise:	Darren is a registered podiatrist and in 2004 co-founded the My FootDr Business with Greg Dower. The two had grown the group to 13 clinics by December 2015. In 2015, Darren and Greg saw the opportunity to grow their network of Clinics through the acquisition of well-established podiatry clinics. Before merging with Balance Podiatry Group in December 2016, they had grown the network to 19 clinics. Today, Darren provides strategic leadership and direction to the My FootDr Business.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	4,457,664

Name:	Anthony (Tony) Peter Ganter (appointed 10 May 2018)
Title:	Chief Executive Officer Physiotherapy
Experience and expertise:	Tony has over 25 years' experience in the management and operation of private physiotherapy and sports medicine clinics and high performance medical teams in professional sport. He possesses knowledge of the professional, administrative and management skills required to operate physiotherapy and sports medicine centres. Tony remains active as a treating physiotherapist which enables him to keep in touch with the challenges of both professional health care and clinic ownership. He has a strong commitment to the ongoing creation of varied career journeys for physiotherapists.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	1,108,007

Name:	Wesley Coote (appointed 29 April 2019)
Title:	Group Managing Director and Chief Executive Officer
Experience and expertise:	Wesley is the former Chief Financial Officer and Company Secretary of Greencross Ltd. Prior to Greencross, Wesley worked in Chartered Accounting where he provided businesses advice within the health sector, property sector and financial services industry. Wesley holds a Bachelor of Commerce from the University of Queensland and is a member of the Institute of Chartered Accountants, as well as a member of the Governance Institute of Australia. Wesley joined the Group in December 2015 as Chief Financial Officer and Company Secretary and was appointed Group Managing Director and Chief Executive Officer on 29 April 2019.
Other current directorships:	None
Former directorships (last 3 years):	Non-executive director of National Veterinary Care Ltd
Interests in shares:	1,557,764

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Christopher Banks - Chris is the Chief Financial Officer and Company Secretary and has experience in aggregating and integrating professional services businesses. He joined the MFDA Group in July 2017 as Chief Commercial Officer and was appointed Chief Financial Officer and Company Secretary on 29 April 2019.

Meetings of Directors
The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each Director were:

	Remuneration and Nomination Committee	Audit and Risk Committee	Full Board Attended	Full Board Held
Dr Glen Richards	1	1	12	12
Paul Wilson	1	1	11	12
Lisa Dalton	1	1	11	12
Darren Stewart	1	1	11	12
Anthony Ganter	1	1	12	12
Wesley Coote *	1	1	12	12

* Wesley Coote was appointed Group Managing Director and CEO on 29 April 2019. Prior to his appointment he attended all meetings as Company Secretary.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Consolidated Entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Consolidated Entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Consolidated Entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration and Nomination Committee from time to time engages external remuneration consultants to ensure the executive remuneration framework is market competitive and complementary to the reward strategy of the Consolidated Entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 4 July 2018, where the shareholders approved a maximum annual aggregate remuneration of $500,000 per annum.

The non-executive Director's fees to be paid in the financial year ended 30 June 2019, have been set as $65,000 per annum (inclusive of statutory superannuation) for the Chair and $45,000 per annum (inclusive of statutory superannuation) for the other non-executive Directors. Directors may also be reimbursed for all travel and other expenses they incur in connection with the company's business.

Executive remuneration
The Consolidated Entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the Consolidated Entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Consolidated Entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

Use of remuneration consultants
During the financial year ended 30 June 2019, the Consolidated Entity did not engage a remuneration consultant to review its existing remuneration policies.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the Consolidated Entity are set out in the following tables.

The key management personnel of the Consolidated Entity consisted of the following:
- Glen Richards - Chairman and Non-Executive Director
- Paul Wilson - Non-Executive Director
- Lisa Dalton - Non-Executive Director
- Wesley Coote – Group Managing Director and Chief Executive Officer
- Anthony Ganter – Director and Chief Executive Officer Physiotherapy
- Darren Stewart - Director and Chief Executive Officer Podiatry
- Chris Banks – Chief Financial Officer and Company Secretary
- Lisa Roach – Chief Operating Officer Physiotherapy
- Glen Evangelista – Chief Commercial Officer
- Dean Hartley – Chief Information Officer

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2019	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Super-annuation $**	**Long service leave $**	**Equity-settled ** $**	**Total $**
Non-Executive Directors:							
Glen Richards	65,990	-	-	6,927	-	-	72,917
Paul Wilson	45,250	-	-	4,750	-	75,000	125,000
Lisa Dalton	37,618	-	-	3,574	-	-	41,192
Executive Directors:							
Wesley Coote	176,344	-	-	16,761	4,106	28,466	225,677
Darren Stewart	187,949	-	-	17,855	3,285	-	209,089
Anthony Ganter *	145,383	-	-	13,811	2,700	-	161,894
Other Key Management Personnel:							
Christopher Banks	153,069	-	-	14,580	2,920	131,547	302,116
Lisa Roach *	129,230	-	-	12,277	2,400	-	143,907
Glen Evangelista	167,949	-	-	15,955	2,920	-	186,824
Dean Hartley	167,949	-	-	15,955	2,920	-	186,824
	1,276,731	-	-	122,445	21,251	235,013	1,655,440

* Remuneration disclosed is from 3 September 2018 to 30 June 2019.

** Equity settled payments are one-off payments for advisory and other fees in relation to the initial public offering of the Consolidated Entity.

While the Consolidated Entity applied the continuation method of accounting for the My FootDr (Aust) Limited acquisition (see Note 2 for further details), no FY2018 comparative remuneration for each Director and Key Management Personnel is applicable as Healthia Limited was only incorporated and the Directors appointed on 10 May 2018.

The proportion of remuneration disclosed above that is performance-based for all Directors and other key management personnel is 0%.
No cash bonuses have been paid to any key management personnel in the year.
Details of incentives (STIs and LTIs) are disclosed in the Additional Information section.
No STIs or LTIs have vested in the year.

Share-based compensation

Issue of shares
Equity Settled
Equity settled payments made during the current financial year to Directors and Key Management Personnel are one-off payments for advisory and other fees relation to the initial public offering of the Consolidated Entity. No additional shares of this nature are expected to be issued in the future.

Performance Rights Plan

As outlined in the Healthia Limited prospectus for the Initial Public Offering (section 11.6.2 of the Prospectus), the Company has approved the terms of a Healthia Performance Rights Plan (Performance Rights Plan) as a means of encouraging employees to share in the ownership of the Company and promotes its long-term success as a common goal. The Board will make offers to selected eligible participants to participate in the Performance Rights Plan following listing based on their contribution to the Company. No offer of an award may be made to the extent it breaches the Constitution, the ASX Listing Rules, the Corporations Act or any other applicable law.

The Board will have the discretion to set the terms and conditions to which it will offer performance rights under the Performance Rights Plan including any vesting conditions. Vesting conditions may include conditions relating to continuous employment, financial performance of the participant or the Group, or the occurrence of specified events.

A participant is entitled to exercise an award on or after the exercise date defined in the offer, provided they have satisfied any vesting conditions. Upon exercise, the participant must pay the applicable exercise price. Any Shares issued under, or in accordance with, the Performance Rights Plan will, upon allotment, rank equally with the existing issued Shares at that time.

Shares allocated to participants under the Performance Rights Plan may be issued by the Company or acquired on or off market by the Company or its nominees. As soon as practicable after the date of any allotment of Shares in conjunction with the plan, the Company will, unless the Board resolves otherwise, apply for official quotation of such Shares on the ASX.

The Performance Rights Plan also contains customary and usual terms having regard to Australian law for dealing with administration, variation, suspension and termination of the plan.

Options
There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2019.

There were no options over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Additional information

The company entered into a new executive employment agreement with Wesley Coote on 29 April 2019 for the role of Group Managing Director and Chief Executive Officer.

Summary of Key Terms of the Executive Agreement of Wesley Coote

Based Fixed Remuneration
Annual base fixed remuneration of $225,000. This is exclusive of superannuation which will be paid at the statutory rate.

Short-Term Incentive
Eligible for an annual short-term incentive (STI) with an opportunity to earn up to 75% of his annual base fixed remuneration. Performance hurdles are linked to an increase in Healthia's underlying earnings per share growth over prior year, key non-financial targets aligned to Healthia's strategic objectives and Board approval.

Long-Term Incentives
Annual long-term incentive under Healthia's Performance Rights Plan representing 70% of his annual base fixed remuneration. The Performance Rights will be subject to applicable vesting conditions which are linked to Total Shareholders Returns (TSR).

Termination
The executive agreement may be terminated by either party at any time on 6 months' notice. Wes Coote's employment may also be terminated immediately without notice under certain circumstances.

Restrictive Covenants
Post-employment restraint for 12 months preventing Wes from being employed or involved in a competing business.

Other Senior Management

The Company's Senior Management are engaged under employment agreements which provide for an annual fixed remuneration and short term performance based incentives.

Short-Term Incentive
Senior Management are eligible for an annual short-term incentive with an opportunity to earn up to 75% of his annual base fixed remuneration. Performance hurdles are linked to key performance indicators of the Senior Management personnel, key non-financial targets aligned to Healthia's strategic objectives and Board approval.

Generally, these arrangements are terminable by the Company or the senior manager on 6 months' notice.

Key management personal employed under these agreements include:

- Darren Stewart - Chief Executive Officer - Podiatry
- Anthony Ganter - Chief Executive Officer - Physiotherapy
- Christopher Banks- Chief Financial Officer and Company Secretary
- Glen Evangelista - Chief Commercial Officer
- Lisa Roach - Chief Operating Officer - Physiotherapy
- Dean Hartley - Chief Information Officer

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Glen Richards	-	-	4,995,329	-	4,995,329
Paul Wilson	-	75,000	249,104	-	324,104
Wesley Coote	-	-	1,557,764	-	1,557,764
Darren Stewart	-	-	4,457,664	-	4,457,664
Anthony Ganter	-	-	1,108,007	-	1,108,007
Chris Banks	-	100,000	166,070	-	266,070
Lisa Roach	-	-	630,548	-	630,548
Dean Hartley	-	-	3,787,676	-	3,787,676
Glen Evangelista	-	-	3,037,674	-	3,037,674
	-	175,000	19,989,836	-	20,164,836

Loans to key management personnel and their related parties
During the financial year there were loans to key management personnel in relation to the non-recourse employee shares with My FootDr (Aust) Limited that vested during the year.

A reconciliation of these loans are as follows:

	Opening Loan Balance 1 July 2018 $	Loans issued during the year $	Loans repaid during the year $	Closing Loan Balance 30 June 2019 $
Wesley Coote	-	359,000	(359,000)	-
Chris Banks	-	200,000	-	200,000
	-	559,000	(359,000)	200,000

This concludes the remuneration report, which has been audited.

Shares under option
There were no unissued ordinary shares of Healthia Limited under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of Healthia Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Post the end of the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 31 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of BDO Audit Pty Ltd

There are no officers of the Company who are former partners of BDO Audit Pty Ltd.

Rounding of amounts

The Company is of a kind referred to in the Australian Securities and Investment Commission's (ASIC) Corporations Instrument 2016/191, relating to Rounding in Financial/Directors' Reports. Amounts in this report have been rounded off in accordance with ASIC's Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Auditor

BDO was appointed as the auditor of the company during the period and continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Glen Frank Richards
Director

30 August 2019

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY C K HENRY TO THE DIRECTORS OF HEALTHIA LIMITED

As lead auditor for the audit of Healthia Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit.
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Healthia Limited and the entities it controlled during the period.

C K Henry
Director

BDO Audit Pty Ltd

Brisbane, 30 August 2019

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30 June 2019

General information

The financial statements cover Healthia Limited as a Consolidated Entity consisting of Healthia Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Healthia Limited's functional and presentation currency.

Healthia Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4 East Tower
25 Montpelier Road
Bowen Hills QLD 4006

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 August 2019.

Healthia Limited and its Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Revenue from contracts with customers	4	65,084	34,325
Other income	5	845	-
Expenses			
Cost of sales		(5,297)	(5,357)
Restructure and integration costs		(472)	-
Acquisition and IPO costs		(4,261)	(3,008)
Employee benefits expense		(39,218)	(17,794)
Depreciation expense	6	(1,549)	(1,011)
Amortisation expense	6	(395)	(173)
Loss on disposal of assets		(85)	(167)
Other expenses		(3,671)	(3,447)
Finance costs	6	(1,331)	(1,052)
Marketing costs		(814)	(1,051)
Occupancy costs		(7,853)	(3,703)
Profit/(loss) before income tax (expense)/benefit		983	(2,438)
Income tax (expense)/benefit	7	(1,266)	499
Loss after income tax (expense)/benefit for the year		(283)	(1,939)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(283)	(1,939)
Loss for the year is attributable to:			
Non-controlling interest		955	68
Owners of Healthia Limited	26	(1,238)	(2,007)
		(283)	(1,939)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		955	68
Owners of Healthia Limited		(1,238)	(2,007)
		(283)	(1,939)
		Cents	**Cents**
Basic earnings per share	42	(2.25)	(*)
Diluted earnings per share	42	(2.25)	(*)

* Despite the Consolidated Entity applying the continuation method of accounting for the acquisition of My FootDr (Aust) Limited (see Note 2 for further details), FY18 basic earnings per share and diluted earnings per share comparatives have not been presented due to incomparable operations and capital structures.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Healthia Limited and its Controlled Entities
Consolidated statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Assets			
Current assets			
Cash and cash equivalents	8	2,610	741
Trade and other receivables	9	3,396	1,238
Inventories	10	3,478	2,367
Other current assets	11	1,218	424
Total current assets		10,702	4,770
Non-current assets			
Investments accounted for using the equity method	12	10	-
Property, plant and equipment	13	7,643	4,756
Intangibles	14	62,221	27,055
Deferred tax	7	2,598	1,036
Total non-current assets		72,472	32,847
Total assets		83,174	37,617
Liabilities			
Current liabilities			
Trade and other payables	15	3,397	4,264
Borrowings	16	484	15,267
Income tax	7	1,051	(21)
Employee benefits	17	2,718	1,179
Provisions		162	328
Other current liabilities	18	1,715	274
Total current liabilities		9,527	21,291
Non-current liabilities			
Borrowings	19	20,039	4,287
Derivative financial instruments	20	92	-
Deferred tax	7	524	206
Employee benefits	21	260	157
Provisions	22	728	262
Other non-current liabilities	23	878	328
Total non-current liabilities		22,521	5,240
Total liabilities		32,048	26,531
Net assets		51,126	11,086
Equity			
Issued capital	24	49,884	13,406
Reserves	25	(4,395)	(696)
Accumulated losses	26	(3,240)	(2,002)
Equity attributable to the owners of Healthia Limited		42,249	10,708
Non-controlling interest	27	8,877	378
Total equity		51,126	11,086

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Healthia Limited and its Controlled Entities
Consolidated statement of changes in equity
For the year ended 30 June 2019

Consolidated	**Issued capital $'000**	**Reserves $'000**	**Accumulated losses $'000**	**Non-controlling interest $'000**	**Total equity $'000**
Balance at 1 July 2017	12,973	90	(91)	496	13,468
Profit/(loss) after income tax benefit for the year	-	-	(2,007)	68	(1,939)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(2,007)	68	(1,939)
Transactions with owners in their capacity as owners:					
Share-based payments (note 43)	-	85	-	-	85
Issue of ordinary shares as consideration for acquisition of non-controlling interest	433	-	-	-	433
Transactions with non-controlling interest	-	(871)	96	(96)	(871)
Dividends paid (note 28)	-	-	-	(90)	(90)
Balance at 30 June 2018	13,406	(696)	(2,002)	378	11,086

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Healthia Limited and its Controlled Entities
Consolidated statement of changes in equity
For the year ended 30 June 2019

Consolidated	Issued capital $'000	Reserves $'000	Accumulated Losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018	13,406	(696)	(2,002)	378	11,086
Profit/(loss) after income tax expense for the year	-	-	(1,238)	955	(283)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(1,238)	955	(283)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 24)	27,797	-	-	-	27,797
Issue of ordinary shares as consideration for business combinations, net of transaction costs (note 24)	6,162	-	-	-	6,162
Issue of ordinary shares as consideration for acquisition of non-controlling interest, net of transaction costs (note 24)	294	-	-	-	294
Conversion from clinic class shares to ordinary shares (note 24)	2,225	-	-	(2,225)	-
Reclassification of existing clinic class shares from debt to equity	-	-	-	3,968	3,968
Contributions of clinic class shares	-	-	-	1,911	1,911
Issue of clinic class shares as consideration for business combinations (note 36)	-	-	-	4,786	4,786
Transactions with non-controlling interests (note 25)	-	(1,480)	-	(204)	(1,684)
Share based payments (note 43)	-	275	-	-	275
Pre-IPO distributions	-	(2,494)	-	-	(2,494)
Dividends paid (note 28)	-	-	-	(692)	(692)
Balance at 30 June 2019	49,884	(4,395)	(3,240)	8,877	51,126

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Healthia Limited and its Controlled Entities
Consolidated statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		66,616	34,444
Payments to suppliers and employees (inclusive of GST)		(66,318)	(31,637)
		298	2,807
Interest received		1	-
Interest and other finance costs paid		(1,331)	(1,052)
Income taxes paid		(644)	(529)
Net cash (outflows)/inflows from operating activities	40	(1,676)	1,226
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	36	(23,332)	(3,908)
Payments for property, plant and equipment	13	(2,741)	(1,532)
Payments for intangibles		(15)	-
Payment for interest in associate		(10)	-
Payment for purchase of non-controlling interest, net of cash acquired		(1,094)	-
Proceeds from disposal of investments		-	111
Proceeds from disposal of property, plant and equipment		7	-
Net cash used in investing activities		(27,185)	(5,329)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	24	28,817	-
Share issue transaction costs		(1,747)	-
Proceeds from issue of clinic class shares		1,911	-
Proceeds from borrowings		19,948	4,134
Pre-IPO distributions		(2,494)	-
Dividends paid to non-controlling interest		(692)	(90)
Repayment of borrowings		(14,510)	(159)
Net cash from financing activities		31,233	3,885
Net increase/(decrease) in cash and cash equivalents		2,372	(218)
Cash and cash equivalents at the beginning of the financial year		166	384
Cash and cash equivalents at the end of the financial year	8	2,538	166

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

AASB 9 Financial Instruments
The Consolidated Entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Consolidated Entity adopted the ECL model from 1 July 2018. Due to the credit profile of Healthia's customers, and the short term nature of trade and other receivables, there has been no material impact on the financial performance and position of the consolidated entity.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in Note 4. Credit risk is presented separately as an expense rather than adjusted against revenue.

Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The impact on the financial performance and position of the consolidated entity from the adoption of these Accounting Standards is detailed in Note 4.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Note 1. Significant accounting policies (continued)

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity, Healthia Limited, is disclosed in Note 35.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Healthia Limited ('Company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Healthia Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Consolidated Entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 1. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2019. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Consolidated Entity will adopt this standard from 1 July 2019.

Impact of AASB 16

AASB 16 will impact the accounting for Consolidated Entity’s operating leases. The Consolidated Entity performed its initial assessment of potential impact of AASB 16 on its non-cancellable operating lease commitments based on the different requirements of the standard. In particular, the different treatment of variable lease payments and of extension and termination options. At the date of initial application of AASB 16, that is 1 July 2019, Healthia estimated that it will record in its Statement of Financial Position right-of-use assets and lease liabilities amounting to $19.6 million and $20.4 million respectively. Further, the potential impact on EBITDA would be an increase of $6.3 million and a decrease of $0.9 million on Net Profit After Tax.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

Goodwill and other indefinite life intangible assets
The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

For the purpose of impairment testing, goodwill has been allocated to the Cash-Generating Units (CGUs), or groups of CGU's, that are expected to benefit from the synergies of the business combination and which represent the level at which management will monitor and manage the goodwill. The Consolidated Entity has identified two CGUs, being the Physiotherapy and Podiatry divisions.

Accounting for the MFDA Acquisition
In accordance with Australian Accounting Standards the acquisition of MFDA Group by Healthia Limited does not meet the definition of a business combination within the provisions of AASB 3 Business Combinations as Healthia Limited was established for the sole purpose of acquiring the MFDA Group by way of equity. Therefore, the Consolidated Entity applied the continuation method of accounting for the combination of the MFDA Group in this Financial Report of Healthia Limited. Therefore, all comparative periods are in relation to the My FootDr (Aust) Ltd.

Under continuation accounting the Consolidated Entity is effectively adopting book value accounting whereby the assets and liabilities of the legal acquiree (MFDA Group) are recognised at their previous carrying amounts. No adjustments are made to reflect fair values and no new assets (including goodwill) and liabilities of the legal acquiree are recognised at the date of the business combination. Any difference between the acquired net assets and the consideration are recognised through reserves in equity.

Classification of Clinic Class Shares: Equity vs Financial liability
Clinic Class Shares were issued to (1) the sellers on acquisition of various podiatry and physiotherapy clinics and (2) clinicians who wish to (i) ‘buy-in’ to existing clinics, or (ii) ‘buy-in’ to a new podiatry or physiotherapy clinic.

The Clinic Class Shares were historically classified as a financial liability based on the fact that My FootDr (Aust) Limited previously had a contractual obligation to deliver cash in the form of preferential dividends payable to the holders each quarter by reference to profits derived from the Clinics. The Clinic Class Shares have been reclassified to equity in current financial year following amendments to the terms and conditions that result in the instruments having the characteristics of equity.

Contingent consideration
The contingent consideration liability relates to business combinations and is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the contingent consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Business combinations
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Consolidated Entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

Identification of reportable operating segments
The company has two operating segments: The Podiatry Operating Segment and the Physiotherapy Operating Segment.

These operating segments are based on the internal reports reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The other category comprises of corporate functions.

The CODM reviews underlying EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information is reported to the CODM on a monthly basis.

Types of products and services
The principal products and services of each of these operating segments are as follows:

Podiatry	This division provides podiatry services and podiatry related services including the manufacturing and sale of orthotics and podiatry related products.
Physiotherapy	This division provides physiotherapy and speciality hand therapy services.

Presentation of revenue and results
Segment revenues and segment results are presented on an underlying basis.

Underlying results for the 12 months ended 30 June 2019 exclude the impact of non-underlying items relating to one off, non-recurring expenses, IPO and acquisition costs.

Operating segment information

Consolidated - 2019	**Podiatry $'000**	**Physiotherapy $'000**	**Other $'000**	**Total $'000**
Revenue				
Sales to external customers	39,868	25,215	1	65,084
Total revenue	39,868	25,215	1	65,084
EBITDA - underlying	10,272	4,210	(5,407)	9,075
Depreciation and amortisation expense	(1,038)	(311)	(594)	(1,943)
Gain / (Loss) on disposal of assets	7	-	-	7
Finance costs	-	-	(1,331)	(1,331)
Acquisition and IPO costs	-	-	(4,261)	(4,261)
Restructure and integration costs	(472)	-	-	(472)
Unrealised loss on Interest Rate Swap	-	-	(92)	(92)
Profit/(loss) before income tax expense	8,769	3,899	(11,685)	983
Income tax expense				(1,266)
Loss after income tax expense				(283)

Note 3. Operating segments (continued)

Consolidated - 2018	Podiatry $'000	Total $'000
Revenue		
Sales to external customers	34,325	34,325
Total revenue	34,325	34,325
Underlying EBITDA	2,633	2,633
Depreciation and amortisation	(1,011)	(1,011)
Finance costs	(1,052)	(1,052)
Acquisition costs	(3,008)	(3,008)
Loss before income tax benefit	(2,438)	(2,438)
Income tax benefit		499
Loss after income tax benefit		(1,939)

In FY2018, there was only one operating segment.

Accounting policy for operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 4. Revenue from contracts with customers

	Consolidated 2019 $'000	Consolidated 2018 $'000
Rendering of services	55,384	25,797
Sale of goods	9,700	8,528
Revenue from contracts with customers	65,084	34,325

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Segment Revenue		
Podiatry	39,868	34,325
Physiotherapy	25,215	-
Other	1	-
	65,084	34,325
Geographical regions		
Australia	65,084	34,325
Timing of revenue recognition		
Goods and services transferred at a point in time	65,084	34,325

Note 4. Revenue from contracts with customers (continued)

Accounting policy for revenue recognition
The Consolidated Entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated Entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of goods
Revenue from the sale of goods is recognised at a point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Revenue from the sale of goods from the orthotics laboratory and podiatry wholesale business goods is recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the goods have been shipped to the specific location, and the risks of obsolescence and loss have been transferred to the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional.

Rendering of services
Revenue from a contract to provide services is recognised as the services are rendered based on either a fixed price or an hourly rate.

Note 5. Other income

	Consolidated 2019 $'000	Consolidated 2018 $'000
Interest income	1	-
Sub-tenant rent	844	-
Other income	845	-

Note 6. Expenses

	Consolidated 2019 $'000	2018 $'000
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	539	299
Plant and equipment	1,010	712
Total depreciation	1,549	1,011
Amortisation		
Customer lists	395	172
Total depreciation and amortisation	1,944	1,183
Finance costs		
Interest expense - bank	1,331	618
Interest expense - clinic class shares	-	434
Finance costs expensed	1,331	1,052
Net loss on disposal		
Net loss on disposal of property, plant and equipment	85	167
Superannuation expense		
Defined benefit superannuation expense	3,193	1,460

Note 7. Income tax

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax expense/(benefit)		
Current tax	1,583	171
Deferred tax - origination and reversal of temporary differences	(397)	(644)
Adjustment recognised for prior periods	80	(26)
Aggregate income tax expense/(benefit)	1,266	(499)
Deferred tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets	(289)	(621)
Decrease in deferred tax liabilities	(108)	(23)
Deferred tax - origination and reversal of temporary differences	(397)	(644)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax (expense)/benefit	983	(2,438)
Tax at the statutory tax rate of 30%	295	(731)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax offset for franked dividends	-	(39)
Non-deductible transaction costs	852	131
Temporary differences brought to account	-	54
Sundry items	39	112
	1,186	(473)
Adjustment recognised for prior periods	80	(26)
Income tax expense/(benefit)	1,266	(499)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Amounts credited directly to equity		
Deferred tax assets	(527)	-

Note 7. Income tax (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	894	400
Accrued expenses	300	139
Non-deductible transaction costs	853	384
Other	551	113
Deferred tax asset	2,598	1,036
Amount expected to be settled within 12 months	1,125	523
Amount expected to be settled after more than 12 months	1,473	513
	2,598	1,036
Movements:		
Opening balance	1,036	365
Credited to profit or loss	289	621
Credited to equity	527	-
Additions through business combinations (note 36)	436	50
Additions through business combinations (other)	38	-
Current year loss	259	-
Other	13	-
Closing balance	2,598	1,036

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer lists	524	206
Deferred tax liability	524	206
Movements:		
Opening balance	206	228
Credited to profit or loss	(108)	(23)
Additions through business combinations (note 36)	434	32
Other	(8)	(31)
Closing balance	524	206

Note 7. Income tax (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Provision for income tax/ (tax receivable)		
Provision for income tax/ (tax receivable)	1,051	(21)

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Franking credits

	Consolidated 2019 $'000	Consolidated 2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	2,627	1,408

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 8. Cash and cash equivalents

	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash on hand	64	35
Cash at bank	2,546	706
	2,610	741

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

	2019 $'000	2018 $'000
Balances as above	2,610	741
Bank overdraft (note 16)	(72)	(575)
Balance as per statement of cash flows	2,538	166

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 9. Trade and other receivables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Trade receivables	2,027	821
Less: Allowance for expected credit losses		(71)
GST paid	540	488
Related party loan receivable *	200	-
Other receivables	629	-
	3,396	1,238

* Related party loan receivable relates to money owing by Chris Banks following the vesting of the My FootDr (Aust) Limited non-recourse employee loan shares.

Allowance for expected credit losses
The ageing of receivables is set out below. All receivables are expected to be collected.

	Expected credit loss rate %	Carrying amount 2019 $'000	Allowance for expected credit loss $'000
Current	-	1,170	-
1 to 3 months overdue	-	409	-
Over 3 months overdue	-	447	-
TOTAL	-	2,027	-

Note 9. Trade and other receivables (continued)

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

On adoption of AASB 9, the Consolidated Entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Note 10. Inventories

	Consolidated	
	2019 $'000	2018 $'000
Finished Goods	2,161	1,656
Consumables	1,026	711
Raw Materials	291	-
	3,478	2,367

Accounting policy for inventories
Raw materials, consumables and finished goods are stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 11. Other current assets

	Consolidated	
	2019 $'000	2018 $'000
Prepayments	796	278
Loan - Related Parties	-	68
Other current assets	422	78
	1,218	424

Accounting policy for prepayments
Payments for goods and services which are to be provided in future years are recorded as prepayments.

Note 12. Investments accounted for using the equity method

	Consolidated	
	2019 $'000	2018 $'000
Investments accounted for using the equity method	10	-

Refer to Note 39 for further information on investments accounted for using the equity method.

Note 13. Property, plant and equipment

	Consolidated 2019 $'000	Consolidated 2018 $'000
Leasehold improvements - at cost	4,417	2,169
Less: Accumulated depreciation	(1,049)	(510)
	3,368	1,659
Plant and equipment - at cost	7,727	5,372
Less: Accumulated depreciation	(3,452)	(2,275)
	4,275	3,097
	7,643	4,756

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Balance at 1 July 2017	2,140	1,497	3,637
Additions	1,070	461	1,531
Additions through business combinations	599	-	599
Depreciation expense	(712)	(299)	(1,011)
Balance at 30 June 2018	3,097	1,659	4,756
Additions	1,430	1,311	2,741
Additions through business combinations (note 36)	758	937	1,695
Depreciation expense	(1,010)	(539)	(1,549)
Balance at 30 June 2019	4,275	3,368	7,643

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 14. Intangibles

	Consolidated 2019 $'000	Consolidated 2018 $'000
Goodwill - at cost	60,485	26,385
Patents and trademarks - at cost	19	5
Customer lists	2,394	947
Less: Accumulated amortisation	(677)	(282)
	1,717	665
	62,221	27,055

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Trademarks $'000	Customer Lists $'000	Total $'000
Balance at 1 July 2017	21,208	4	665	21,877
Additions	-	1	-	1
Additions through business combinations	5,177	-	173	5,350
Amortisation expense	-	-	(173)	(173)
Balance at 30 June 2018	26,385	5	665	27,055
Additions	-	15	-	15
Additions through business combinations (note 36)	34,100	-	1,446	35,546
Amortisation expense	-	-	(395)	(395)
Balance at 30 June 2019	60,485	20	1,716	62,221

A CGU level summary of the goodwill allocation is presented below:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Podiatry	31,398	26,385
Physiotherapy	29,087	-
Total goodwill	60,485	26,385

Accounting policy for intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Note 14. Intangibles (continued)

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Impairment losses on goodwill cannot be reversed.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer list
Customer lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their estimate useful life of 5 years.

Impairment of goodwill
At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment testing
The Consolidated Entity has tested goodwill for impairment, in accordance with the accounting policy stated in Note 2. The recoverable amount has been determined based on value-in-use calculations using cash flow projections based on management approved financial budgets and cover a five-year period. Cash flows beyond the 5-year period to the end of the assets useful life are estimated by extrapolating the management projections using a steady growth rate based on long term industry expectations.

For the purpose of impairment testing, goodwill has been allocated to the Cash-Generating Units (CGUs), or groups of CGU's, that are expected to benefit from the synergies of the business combination and which represent the level at which management will monitor and manage the goodwill. The Consolidated Entity has identified two CGUs, being the Physiotherapy and Podiatry divisions.

Key assumptions used for value-in-use calculations

- The group tests for goodwill impairment on an annual basis. The recoverable of amount of a cash generating unit (‘CGU’) is determined based on a value-in-use calculation which require the use of assumptions.
- The calculations use cash flow projections over a five year period, the first being 2020, based on the financial budget approved by the Board. Cash flow projections for periods beyond the 2020 period are extrapolated using the estimated growth rates below.
- Goodwill has been allocated to the two groupings of CGUs representing Podiatry and Physiotherapy
- Corporate overheads have been apportioned to the CGUs
- Sensitivity analyses on growth and discount rates has been performed to assess the impact on the outcome of the model

Significant assumptions for the purposes of the value-in-use calculation include:

- Period of cash flows: 5 years
- Average revenue growth during the forecast period 3.0%
- Pre-tax discount rate: 13.0%
- Terminal value growth rate of 3.0%

Note 14. Intangibles (continued)

Sensitivity

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease.

As a result of the value-in-use calculation, it was determined no impairment was identified.

Note 15. Trade and other payables

	Consolidated	
	2019 $'000	**2018 $'000**
Trade payables	886	1,870
Accruals	979	1,312
Other creditors	417	761
GST collected	199	128
Superannuation payable	916	193
	3,397	4,264

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. They are measured at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 16. Borrowings

Current

	Consolidated	
	2019 $'000	**2018 $'000**
Bank overdraft	72	575
Bank loans	-	14,495
Lease liability	412	197
	484	15,267

Refer to note 29 for further information on financial instruments.

Note 17. Employee benefits

Current

	Consolidated	
	2019 $'000	**2018 $'000**
Annual leave	2,144	914
Long service leave	574	265
	2,718	1,179

Note 17. Employee benefits (continued)

Accounting policy for employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 18. Other current liabilities

Current

	Consolidated	
	2019 $'000	2018 $'000
Deferred lease incentives	220	54
Contingent consideration	1,495	220
	1,715	274

Accounting policy for deferred lease incentives
The liability represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

Accounting policy for contingent consideration
The contingent consideration liability relates to business combinations and is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the contingent consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Note 19. Borrowings

Non-current

	Consolidated	
	2019 $'000	2018 $'000
Bank loans	19,606	-
Clinic class shares debt	-	3,966
Loan - Related Parties	-	15
Lease liability	433	306
	20,039	4,287

Refer to note 29 for further information on financial instruments.

Classification of Clinic Class Shares: Equity vs Financial liability

Note 19. Borrowings (continued)

Clinic Class Shares were issued to (1) the sellers on acquisition of various podiatry clinics and (2) clinicians who wish to (i) ‘buy-in’ to existing clinics, or (ii) ‘buy-in’ to a new podiatry clinic. The Clinic Class Shares were historically classified as a financial liability based on the fact that My FootDr (Aust) Limited previously had a contractual obligation to deliver cash in the form of preferential dividends payable to the holders each quarter by reference to profits derived from the Clinics. The Clinic Class Shares have been reclassified to equity in current financial year following amendments to the terms and conditions that result in the instruments having the characteristics of equity.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Bank overdraft	72	575
Bank loans	19,606	14,495
Clinic class shares debt	-	3,966
Loan - Related Parties	-	15
Lease liability	845	503
	20,523	19,554

Key Terms of the Bank Loan

The Consolidated Entity has at total finance facility of $37.0M with Australian and New Zealand Bank and the Bank of Queensland at 30 June 2019. This finance facility was established on 29 August 2018, with a 3 year term expiring on 28 August 2021. The previous finance facility that existed at 30 June 2018 was settled in full during the year.

At reporting date, the Consolidated Entity has drawn down $19.6M out of its total finance facility of $37.0M, leaving $17.4m undrawn.

The key financial covenants of the finance facility are:

- Leverage Ratio: (Debt: Adjusted EBITDA) must remain below or equal to 2.50 times
- Fixed Charge Cover Ratio: (Adjusted EBITDA + rent expense) / (interest + rent expense) must remain above or equal to 1.75 times
- Debt to Capitalisation Ratio: Debt / (Debt + Book Value of Equity) must remain below than or equal to 50%

At the reporting date, the Consolidated Entity had met all its obligations under the finance facility.

Note 19. Borrowings (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2019 $'000	2018 $'000
Total facilities		
Bank overdraft	1,000	700
Bank loans	37,000	15,000
	38,000	15,700
Used at the reporting date		
Bank overdraft	72	575
Bank loans	19,606	14,495
	19,678	15,070
Unused at the reporting date		
Bank overdraft	928	125
Bank loans	17,394	505
	18,322	630

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Note 20. Derivative financial instruments

Non-current

	Consolidated	
	2019 $'000	2018 $'000
Interest rate swap contracts liabilities	92	-

Refer to note 29 for further information on financial instruments.

Accounting policy for derivative financial instruments

The Consolidated Entity used derivative financial instruments (interest rate swaps) during the year to hedge its risk associated with interest rate fluctuations on the bank loans. The following accounting policies have been adopted to determine the accounting for the derivative financial instruments:

- Derivatives are initially measured at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at each reporting date. The net fair value of derivative financial instruments outstanding at reporting date is recognised in the consolidated statement of financial position as either a financial asset or liability.
- The derivative instruments do not qualify for hedge accounting. Changes to the fair value of any derivative that does not quality for hedge accounting are recognised immediately in profit or loss.
- The full fair value of the hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Note 20. Derivative financial instruments (continued)

The Consolidated Entity entered into interest rate swap contracts totalling $11.0 million under which it is obliged to receive interest at variable rates and pay interest at fixed rates. These hedges expire in December 2020.

Note 21. Employee benefits

Non-current

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Long service leave	260	157

Accounting policy for other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 22. Provisions

Non-current

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Lease make good provision	728	262

Lease make good provision
The provision represents the present value of the estimated costs to make good the premises leased by the Consolidated Entity at the end of the respective lease terms.

Note 23. Other non-current liabilities

Non-current

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Deferred lease incentives	878	328

Accounting policy for deferred lease incentives

The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

Note 24. Issued capital

	Consolidated			
	2019 Shares	**2018 Shares**	**2019 $'000**	**2018 $'000**
Ordinary shares - fully paid	63,034,653	11,229,856	49,884	13,406
Non-recourse employee loan shares	-	919,166	-	-
	63,034,653	12,149,022	49,884	13,406

Movements in ordinary share capital

Details	**Date**	**Shares '000**	**Issue price**	**$'000**
Balance	30 June 2017	10,956		12,973
Issue of ordinary shares - Trepar Acquisition	4-Jul-17	130	$1.58	206
Issue of ordinary shares - Brisbane Podiatry and Footwear Acquisition	7-Jul-17	143	$1.58	227
Balance	30 June 2018	11,229		13,406
Vesting of non-recourse employee share loan	5-Jul-18	919	$0.91	890
Issue of ordinary shares - issued by MFDA	30-Jul-18	200	$1.00	200
Issue of ordinary shares - MFDA Group Acquisition*	30-Jul-18	14,079	$1.00	-
Issue of ordinary shares - MFDA Group Acquisition rollover of Clinic Class Shares	30-Jul-18	2,225	$1.00	2,225
Issue of ordinary shares - acquisition of businesses	29-Aug-18	1,585	$1.00	1,585
Issue of ordinary shares - acquisition of businesses	30-Aug-18	2,720	$1.00	2,720
Issue of ordinary shares - acquisition of businesses	31-Aug-18	1,017	$1.00	1,017
Issue of ordinary shares - acquisition of additional 25% interest in DBS	31-Aug-18	294	$1.00	294
Issue of ordinary shares - acquisition of businesses	3-Sep-18	360	$1.00	360
Issue of ordinary shares - acquisition of businesses	4-Sep-18	480	$1.00	480
Issue of ordinary shares - Initial Public Offer	11-Sep-18	27,927	$1.00	27,927
Less: share issue transaction costs		-	$0.00	(1,747)
Tax recognised in equity		-	$0.00	527
Balance	30 June 2019	63,035		49,884

Movements in non-recourse employee shares (NRE)

Details	**Date**	**Shares**	**Issue price**	**$'000**
Balance	1 July 2017	719,166		-
issue of NRE shares	26 July 2017	200,000	$0.00	-
Balance	30 June 2018	919,166		-
Vesting of non-recourse employee share loans	5 July 2018	(919,166)	$0.00	-
Balance	30 June 2019	-		-

Note 24. Issued capital (continued)

**Healthia Limited acquired all of the ordinary shares in My FootDr (Aust) Ltd (the MFDA Group) on 30 July 2018.*
In accordance with Australian Accounting Standards the acquisition of MFDA Group by the company does not meet the definition of a business combination within the provisions of AASB 3 Business Combinations Healthia Limited was established for the sole purpose of acquiring the MFDA Group by way of equity.

Therefore, the Consolidated Entity applied the continuation method of accounting for the combination of the MFDA Group in this Financial Report of Healthia Limited. Under continuation accounting the Consolidated Entity is effectively adopting book value accounting whereby the assets and liabilities of the legal acquiree (MFDA Group) are recognised at their previous carrying amounts.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Non-recourse employee shares (NRE)
My FootDr (Aust) Limited non-recourse employee shares (NRE) plan was approved by the My FootDr (Aust) Limited shareholders in December 2015. All loan shares are shares in My FootDr (Aust) Limited ranking pari passu in all respects with the ordinary issued shares of My FootDr (Aust) Limited, were the subscription price is funded by way of a loan from My FootDr (Aust) Limited. All NRE shares vested on 5 July 2018 and the My FootDr (Aust) Limited NRE plan was wound up.

Capital risk management
The Consolidated Entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Consolidated Entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Consolidated Entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Consolidated Entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 25. Reserves

	Consolidated 2019 $'000	2018 $'000
Share-based payments reserve	450	175
Transactions with non-controlling interest reserve	(2,351)	(871)
Pre-IPO distributions reserve	(2,494)	-
	(4,395)	(696)

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.
A share-based payments expense of $275,000 was recognised in the year. Refer to Note 44 for further details.

Pre-IPO distribution reserve
The reserve records any differences between the acquired net assets and the consideration under continuation accounting. The significant transaction that accounts for the increase in the reserve is detailed below:

Accounting for the MFDA Acquisition
In accordance with Australian Accounting Standards the acquisition of MFDA Group by Healthia Limited does not meet the definition of a business combination within the provisions of AASB 3 Business Combinations as Healthia Limited was established for the sole purpose of acquiring the MFDA Group by way of equity. Therefore, the Consolidated Entity applied the continuation method of accounting for the combination of the MFDA Group in this Financial Report of Healthia Limited. Therefore, all comparative periods are in relation to the MFDA Group.

Under continuation accounting the Consolidated Entity is effectively adopting book value accounting whereby the assets and liabilities of the legal acquiree (MFDA Group) are recognised at their previous carrying amounts. No adjustments are made to reflect fair values and no new assets (including goodwill) and liabilities of the legal acquiree are recognised at the date of the business combination. Any difference between the acquired net assets and the consideration are recognised through reserves in equity.

The total of the $2.494 million in cash consideration was recorded in the Pre-IPO distribution reserve.

Transactions with non-controlling interest reserve
The transactions with non-controlling interests reserve is used to record differences which may arise as a result of increases or decreases in non-controlling interests that do not result in a loss of control. The significant transactions with non-controlling interests that account for the increase in the reserve in this year are detailed below:

Acquisitions of Additional 25% Interest in D.B.S. Medical and Additional 50% Interest in My FootDr (Cleveland) Pty Ltd by the MFDA Group
The MFDA Group acquired a further 25% interest in D.B.S. Medical and a further 50% of My FootDr (Cleveland) Pty Ltd on 31 August 2018.

Total consideration for the additional 25% interest in D.B.S. Medical was $0.587 million including $0.29 million in cash consideration and $0.294 million in share consideration. Total consideration for the additional 50% interest in My FootDr (Cleveland) Pty Ltd is $1.094 million in cash consideration.

Total consideration for the two transactions of $1.681 million, with $0.201 million of net assets to the non-controlling interests being acquired. The difference of $1.480 million was recorded in the transactions with non-controlling interest reserve.

Note 26. Accumulated losses

	Consolidated	
	2019	2018
	$'000	$'000
Retained profits/(accumulated losses) at the beginning of the financial year	(2,002)	5
Loss after income tax (expense)/benefit for the year	(1,238)	(2,007)
Accumulated losses at the end of the financial year	(3,240)	(2,002)

Note 27. Non-controlling interest

	Consolidated	
	2019	2018
	$'000	$'000
Issued equity - Clinic Class Shares*	8,440	-
Retained profits	437	378
	8,877	378

Classification of Clinic Class Shares: Equity vs Financial liability
Clinic Class Shares were issued to (1) the sellers on acquisition of various podiatry clinics and (2) clinicians who wish to (i) 'buy-in' to existing clinics, or (ii) 'buy-in' to a new podiatry clinic. The Clinic Class Shares were historically classified as a financial liability based on the fact that My FootDr (Aust) Limited previously had a contractual obligation to deliver cash in the form of preferential dividends payable to the holders each quarter by reference to profits derived from the Clinics. The Clinic Class Shares have been reclassified to equity in current financial year following amendments to the terms and conditions that result in the instruments having the characteristics of equity.

Note 28. Dividends

There were no dividends paid, recommended or declared during the current or previous financial period to the ordinary shareholders of Healthia Limited.

Dividends were paid during the current and previous financial year to non-controlling interests, being the clinic class shareholders of Healthia Limited subsidiaries.

Accounting policy for dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Note 29. Financial instruments

Financial risk management objectives
The Consolidated Entity's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Consolidated Entity's operating units. Finance reports to the Board on a monthly basis.

Note 29. Financial instruments (continued)

Market risk

Interest rate risk
The Consolidated Entity's main interest rate risk arises from long-term borrowings and interest rate swap contracts. Borrowings obtained at variable rates expose the Consolidated Entity to interest rate risk. Borrowings obtained at fixed rates expose the Consolidated Entity to fair value interest rate risk. The policy is to maintain between 30% and 60% of current borrowings at fixed rates using interest rate swaps to achieve this when necessary.

As at the reporting date, the Consolidated Entity had the following variable rate borrowings and interest rate swap contracts outstanding:

Consolidated	2019 Balance $'000	2018 Balance $'000
Bank loans	19,606	14,495
Interest rate swap (notional principal amount)	(11,000)	-
Net exposure to cash flow interest rate risk	8,606	14,495

An analysis by remaining contractual maturities in shown in 'liquidity and interest rate risk management' below.

For the Consolidated Entity the bank loans outstanding, totalling $19.6 million (2018: $14.5 million), are interest only loans. At balance date, $11.0m of debt was hedged by floating to fixed interest rate swaps.

An official increase in interest rates of 100 (2017: 100) basis points would have an adverse effect on profit before tax of $86,055 (2018: $144,953) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Consolidated Entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Consolidated Entity does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Bank overdraft	928	125
Bank loans	17,394	505
	18,322	630

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 2 years (2018: 1.5 years).

Note 29. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	**Weighted average interest rate %**	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Non-interest bearing $'000**	**Remaining contractual maturities $'000**
Non-derivatives							
Non-interest bearing							
Trade and other payables	-	-	-	-	-	3,397	3,397
Interest-bearing - variable							
Bank overdraft	7.00%	72	-	-	-	-	72
Lease liabilities	5.02%	442	456	-	-	-	898
Bank loans	3.77%	739	739	19,729	-	-	21,207
Total non-derivatives		1,253	1,195	19,729	-	3,397	25,574
Derivatives							
Interest rate swaps inflow	1.22%	(173)	(79)	-	-	-	(252)
Interest rate swaps outflow	2.15%	236	108	-	-	-	344
Total derivatives		63	29	-	-	-	92

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Fair value measurement
Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2019	Level 1	Level 2	Level 3	Total
Liabilities				
Interest rate swap	-	92	-	92
Contingent consideration	-	-	1,495	1,495
Total liabilities	-	92	1,495	1,587

Note 29. Financial instruments (continued)

Consolidated - 2018	Level 1	Level 2	Level 3	Total
Liabilities				
Clinic class shares debt	-	-	3,966	3,966
Contingent consideration	-	-	220	220
Total liabilities	-	-	4,186	4,186

Valuation techniques for fair value measurements categorised within level 2 and 3

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Contingent consideration has been valued based on expected EBITDA of the clinics, based on the knowledge of the business and how the current economic environment is likely to impact it.

Clinic class shares were valued based on the expected future profits of the clinics and the discounted expected future preferential dividends payable to the holders.

Level 3 liabilities
Movements in level 3 liabilities during the current and previous financial year are set out below:

Consolidated	**Clinic class shares debt $'000**	**Contingent consideratio n $'000**	**Interest rate swaps $'000**	**Total $'000**
Balance at 1 July 2017	1,694	100	-	1,794
Additions	2,272	120	-	2,392
Balance at 30 June 2018	3,966	220	-	4,186
(Gains)/losses recognised in profit or loss	-	-	92	92
Additions	-	1,600	-	1,600
Disposals	(3,966)	(325)	-	(4,291)
Balance at 30 June 2019	-	1,495	92	1,587

The level 3 liabilities unobservable inputs and sensitivity are as follows:

Description	**Unobservable inputs**	**Inputs**	**Sensitivity**
Contingent consideration	Expected EBITDA of acquired clinics	$127,000 - $11,000,000	If expected EBITDA were 10% higher, there would be an increase in fair value of $2,500,000. If expected EBITDA was 10% lower, there would a decrease in fair value of $200,000.
Interest rate swaps	BBSY interest rates	1.22%	1.00% change would increase/decrease fair value by $160,000

Note 30. Key management personnel disclosures

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the Consolidated Entity is set out below:

	Consolidated	
	2019 **$**	**2018** **$**
Short-term employee benefits	1,276,731	976,597
Post-employment benefits	122,445	92,777
Long-term benefits	21,251	36,547
Share-based payments	235,013	28,467
	1,655,440	1,134,388

Note 31. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO, the auditor of the Company:

	Consolidated	
	2019 **$**	**2018** **$**
Audit and other assurance services - BDO		
Audit or review of the financial statements	165,000	92,000
Other assurance services – investigating accountant advisory fees	151,961	245,134
Total remuneration for audit and other assurance services	316,961	337,134
Other services - BDO		
Taxation and business advisory services	116,640	107,362
Indirect tax advisory services	72,852	36,868
R&D advisory services	25,920	7,500
Total remuneration for other services	215,412	151,730
Total remuneration of BDO	532,373	488,864

Note 32. Contingent liabilities

The Consolidated Entity has given bank guarantees as at 30 June 2019 of $1,794,086 to various landlords.

Note 33. Commitments

	Consolidated 2019 $'000	Consolidated 2018 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	6,279	2,534
One to five years	11,133	7,044
More than five years	1,546	85
	18,958	9,663
Lease commitments - finance		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	442	219
One to five years	456	323
Total commitment	898	542
Less: Future finance charges	(53)	(39)
Net commitment recognised as liabilities	845	503
Representing:		
Lease liability - current (note 16)	412	197
Lease liability - non-current (note 19)	433	306
	845	503

Note 34. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 37.

Associates
Interest in associates are set out in note 38.

Key management personnel
Disclosures relating to key management personnel are set out in note 30 and the remuneration report included in the Directors' report.

Note 34. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2019 $	2018 $
Consideration relating to the acquisition of businesses at the time of Initial Public Offering:		
Ordinary shares issued for the acquisition of businesses to director Anthony Ganter	1,103,322	-
Ordinary shares issued for the acquisition of businesses to key management personnel Lisa Roach	630,548	-
Cash payment for the acquisition of businesses to director Anthony Ganter	1,260,366	-
Cash payment for the acquisition of businesses to director Darren Stewart	500,000	-
Cash payment for the acquisition of businesses to key management personnel Lisa Roach	638,391	-
Cash payment for the acquisition of businesses to key management personnel Glen Evangelista	1,000,000	-
Cash payment for the acquisition of businesses to key management personnel Dean Hartley	161,846	-
Other transactions:		
Rent and outgoings paid to entities controlled by director Darren Stewart	381,769	360,054
Rent and outgoings paid to entities controlled by director Anthony Ganter	162,664	-
Rent and outgoings paid to entities controlled by key management personnel Dean Hartley and Glen Evangelista	131,643	136,990
Rent and outgoings paid to entities controlled by key management personnel Lisa Roach	144,803	-
Payment for services to an entity associated with Wesley Coote	80,350	-
Repayment of loan to a related party of Glen Evangelista	46,004	-

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current reporting date 30 June 2019 and previous reporting date 30 June 2018.

Loans to/from related parties
There was a loan advanced to Chris Banks during the year that remains receivable at year-end.

Receivables owing to the Consolidated Entity from Dean Hartley at 30 June 2018 have been repaid.

Borrowings owing to a related party of Glen Evangelista at 30 June 2018 have been repaid by the Consolidated Entity.

	Consolidated	
	2019 $	2018 $
Current receivables:		
Loan to Dean Hartley	-	67,778
Loan to Chris Banks	200,000	-
Current borrowings:		
Loan from Glen Evangelista	-	15,289

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 35. Parent entity information

Set out below is the supplementary information about the parent entity, Healthia Limited.

Statement of profit or loss and other comprehensive income

	Parent 2019 $'000	2018 $'000
Loss after income tax	(218)	-
Total comprehensive income	(218)	-

Statement of financial position

	Parent 2019 $'000	2018 $'000
Total current assets	13	-
Total assets	52,127	-
Total current liabilities	-	-
Total liabilities	19,606	-
Equity		
Issued capital	32,740	-
Accumulated losses	(218)	-
Total equity	32,522	-

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 36. Business combinations

Allsports Physiotherapy
Between 29 August 2018 and 4 September 2018 Healthia Limited acquired 100% of the business assets of the 9 Allsports Physiotherapy clinics, and 100% of the ordinary shares in the 5 entities that owned the business assets of a further 5 Allsports Physiotherapy clinics, for the total consideration transferred of $15.732 million including $8.953 million in cash consideration, $0.450 million in contingent consideration, $1.717 million in Clinic Class Share consideration and $4.611 million in Healthia Limited ordinary share consideration

Note 36. Business combinations (continued)

Extend Rehabilitation
On 4 September 2018 Healthia Limited acquired 100% of the business assets of the 7 Extend Rehabilitation clinics for the total consideration transferred of $2.257 million including $1.087 million in cash consideration, $0.450 million in contingent consideration, $0.360 million in Clinic Class Share consideration and $0.360 million in Healthia Limited ordinary share consideration

Other physiotherapy clinics
Between 29 August 2018 and 30 June 2019 Healthia Limited acquired 100% of the business assets of 15 physiotherapy clinics for the total consideration transferred of $12.682 million including $8.191 million in cash consideration, $0.900 million in contingent consideration, $2.407 million in Clinic Class Share consideration and $1.183 million in Healthia Limited ordinary share consideration.

Other podiatry clinics
Between 29 August 2018 and 30 June 2019 Healthia Limited acquired 100% of the business assets of 8 podiatry clinics for the total consideration transferred of $5.585 million including $5.275 million in cash consideration, $0.302 million in Clinic Class Share consideration and $0.008 million in Healthia Limited ordinary share consideration.

Financial Contribution
The acquired businesses contributed revenues of $29.381m and NPAT of $2.596m million to the Consolidated Entity for the period from the dates of the acquisition to 30 June 2019. If the above acquisitions had occurred on 1 July 2018 (the beginning of the financial year), the full year (or annualised) contributions of revenue would have been $40.852 million and NPAT would have been $4.097 million.

Details of the acquisition are as follows:

	Allsports Physiotherapy	Extend Rehabilitation	Other Physiotherapy Acquisitions	Other Podiatry Acquisitions	Total
	Fair value $'000	Fair value $'000	Fair value $'000	Fair value $'000	Fair value $'000
Cash and cash equivalents	176	-	-	-	176
Trade receivables	9	-	-	-	9
Inventories	144	114	206	223	687
Plant and equipment	996	30	506	163	1,695
Customer lists	373	109	704	261	1,447
Deferred tax asset	189	38	186	23	436
Other Assets	33	1	17	18	68
Trade payables	(223)	-	-	-	(223)
Deferred tax liability	(112)	(33)	(211)	(78)	(434)
Employee benefits	(639)	(127)	(621)	(75)	(1,462)
Other liabilities	(408)	-	(35)	-	(443)
Net assets acquired	538	132	752	535	1,956
Goodwill	15,192	2,125	11,731	5,051	34,100
Acquisition-date fair value of the total consideration transferred	15,730	2,257	12,483	5,586	36,056
Representing:					
Cash paid or payable to vendor	8,953	1,087	8,191	5,275	23,508
Healthia Limited shares issued to vendor	4,611	360	1,183	8	6,162
Contingent Consideration *	450	450	700	-	1,600
Clinic Class Shares issued to vendor	1,717	360	2,407	302	4,786
	15,731	2,257	12,481	5,585	36,056

Note 36. Business combinations (continued)

Goodwill arising from business combinations is attributed to the reputation of the business in their local market, the benefit of marginal profit and synergies expected to be received by integrating into the Consolidated Entity's systems, expected revenue growth, future market development, the assembled workforce and knowledge of the local markets. These benefits are not able to be individually identified or recognised separately from goodwill.

* Where the Consolidated Entity has recorded contingent consideration in the table above, the Consolidated Entity has a contractual obligation to pay the former owner of the businesses in the event the contractual performance hurdles are achieved in accordance with the business sale agreement. These performance hurdles are typically linked to the businesses profit and an overachievement of this profit.

The contingent consideration is assessed and recorded at fair value. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the contingent consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Accounting policy for business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Consolidated Entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Consolidated Entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Acquisition and IPO related costs of $4.261 million are included as acquisition costs in the statement of profit and loss and other comprehensive income.

Note 37. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	2018 %
My FootDr (Aust) Limited	Australia	100.00%	100.00%
Allsports (Aust) Limited	Australia	100.00%	100.00%
Extend Rehab Pty Ltd	Australia	100.00%	100.00%
iOrthotics Pty Ltd	Australia	100.00%	100.00%
D.B.S. AUSTRALIA PTY. LTD.	Australia	75.00%	50.00%
Allsports Physiotherapy Forest Lake Pty Ltd	Australia	100.00%	-
Allsports Pilates Sherwood Pty Ltd	Australia	100.00%	-
Southside Manipulative Physiotherapy Centre Pty Ltd	Australia	100.00%	-
Allsports Physiotherapy The Gap Pty Ltd	Australia	100.00%	-
Allsports Physiotherapy Toowong Pty Ltd	Australia	100.00%	-
My FootDr (Brookwater) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Camp Hill) Pty Ltd	Australia	100.00%	100.00%
My FootDr Granda Pty Ltd	Australia	100.00%	100.00%
My FootDr (Fortitude Valley) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Indooroopilly) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Mackay) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Newmarket) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Oxenford) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Redcliffe) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Shailer Park) Pty Ltd	Australia	100.00%	100.00%
MyFootDr Administration Pty Ltd	Australia	100.00%	100.00%
Orthema Australasia Pty Ltd	Australia	100.00%	100.00%
Footwear Enterprises Pty Ltd	Australia	100.00%	100.00%
PinPointe FootLaser Australia Pty Ltd	Australia	100.00%	100.00%
MFD IP Pty Ltd	Australia	100.00%	100.00%
Mackay Foot Centre Pty Ltd as trustee for the Mackay Foot Centre Unit Trust	Australia	100.00%	100.00%
Balpod Holdings Pty Ltd	Australia	100.00%	100.00%
My FootDr (Cleveland) Pty Ltd	Australia	100.00%	50.00%
Foot Care Solutions Australia Pty Ltd	Australia	75.00%	50.00%
Trepar Pty Ltd	Australia	100.00%	100.00%
Brisbane Podiatry & Footwear Pty Ltd as trustee for Brisbane Podiatry & Footwear Unit Trust	Australia	100.00%	100.00%
Foot Focus (Aust) Pty Ltd	Australia	100.00%	100.00%
Foot Focus (NSW) Pty Ltd	Australia	100.00%	100.00%
Foot Focus 4 Kids Pty Ltd	Australia	100.00%	100.00%
Foot Focus Narellan Pty Ltd	Australia	100.00%	100.00%

Note 37. Interests in subsidiaries (continued)

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 1:

			Parent		Non-controlling interest	
Name	**Principal place of business / Country of incorporation**	**Principal activities**	**Ownership interest 2019 %**	**Ownership interest 2018 %**	**Ownership interest 2019 %**	**Ownership interest 2018 %**
D.B.S, Australia Pty Ltd	Australia	Podiatry equipment and supplies wholesaler	75.00%	50.00%	25.00%	50.00%
Foot Care Solutions Australia Pty Ltd	Australia	Podiatry equipment and supplies wholesaler	75.00%	50.00%	25.00%	50.00%

Note 38. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates to the Consolidated Entity are set out below:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2019 %**	**2018 %**
Fracture Holdco Pty Ltd	Australia	45.00%	-

Note 39. Events after the reporting period

Acquisition of Physiotherapy and Hand Therapy Clinics
The Consolidated Entity acquired an additional 7 physiotherapy and hand therapy clinics since 30 June 2019. Initial consideration paid for the acquisitions was $6.63 million including $4.01 million in cash consideration, $2.62 million in clinic class share consideration, with up to an additional $1.05 million payable in contingent consideration. The Consolidated Entity is yet to complete the business combination accounting for these newly acquired clinics.

These clinics are expected to contribute Revenue and EBITDA of $7.60 million and $1.79 million respectively on a pro-forma basis.

Acquisition of Podiatry Clinics
The Consolidated Entity acquired an additional 5 podiatry clinics since 30 June 2019. Initial consideration paid for the acquisitions was $2.62 million including $2.40 million in cash consideration, $0.22 million in clinic class share consideration, with up to an additional $0.20 million payable in contingent consideration. The Consolidated Entity is yet to complete the business combination accounting for these newly acquired clinics.

These clinics are expected to contribute Revenue and EBITDA of $3.40 million and $0.65 million respectively on a pro-forma basis.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 40. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Loss after income tax (expense)/benefit for the year	(283)	(1,939)
Adjustments for:		
Depreciation and amortisation	1,944	1,184
Share-based payments	275	-
Fair value movements in interest rate swap instrument	92	-
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(2,149)	67
(Increase)/Decrease in inventories	(424)	319
Decrease/(increase) in other assets	(726)	(205)
Decrease/(increase) in deferred tax asset	(1,126)	(623)
(Decrease)/Increase in trade and other payables	(1,090)	2,361
(Decrease)/Increase in provision for income tax	1,072	(328)
(Decrease)/Increase in deferred tax liabilities	(116)	74
(Decrease)/Increase in employee benefits	180	316
(Decrease)/Increase in other liabilities and provisions	675	-
Net cash from operating activities	(1,676)	1,226

Note 41. Changes in liabilities arising from financing activities

Consolidated	Bank Loans $'000	Lease Liabilities $'000	Clinic class share debt $'000	Total $'000
Balance at 1 July 2017	10,370	928	1,694	12,992
Net cash from/(used in) financing activities	4,125	(425)	-	3,700
Clinic class shares issued through business combinations	-	-	2,271	2,271
Balance at 30 June 2018	14,495	503	3,965	18,963
Reclassification of clinic class shares from debt to equity	-	-	(3,965)	(3,965)
Cash from/(used in) financing activities	5,111	342	-	5,453
Balance at 30 June 2019	19,606	845	-	20,451

Note 42. Earnings per share

	Consolidated 2019 $'000	Consolidated 2018 $'000
Loss after income tax	(283)	(1,939)
Non-controlling interest	(955)	(68)
Loss after income tax attributable to the owners of Healthia Limited	(1,238)	(2,007)

Note 42. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	54,991,800	(*)
Weighted average number of ordinary shares used in calculating diluted earnings per share	54,991,800	(*)

	Cents	Cents
Basic earnings per share	(2.25)	(*)
Diluted earnings per share	(2.25)	(*)

* Despite the Consolidated Entity applying the continuation method of accounting for the acquisition of My FootDr (Aust) Limited (see Note 2 for further details), FY18 weighted average number of ordinary shares, basic earnings per share and diluted earnings per share 30 June 2018 comparatives have not been presented due to incomparable operations and capital structure.

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Healthia Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 43. Share-based payments

Set out below are equity settled payments made during the financial year

	Consolidated	
	2019 $	2018 $
Equity settled payments		
Equity settled payments to associates of Paul Wilson *	75,000	-
Equity settled payments to Chris Banks *	100,000	-
Equity settled payments other *	100,000	85,002
Total share-based payments expense for the year	275,000	85,002

* Equity settled payments are one-off payments for advisory and other fees in relation to the initial public offering of the Consolidated Entity.

Accounting policy for share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 43. Share-based payments (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Healthia Limited and its Controlled Entities
Directors' declaration
30 June 2019

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Glen Frank Richards
Director

30 August 2019

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Healthia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Healthia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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1. Impairment assessment of Goodwill and Other Intangible Assets

Key audit matter	*How the matter was addressed in our audit*
The Group's disclosures in respect to intangible assets, including the impairment assessments of goodwill and other intangible assets are included in Note 14. The carrying value of intangible assets represent a significant asset of the Group. The Group is required to annually test the amount of goodwill and indefinite useful life intangible assets for impairment and assess other intangible assets for impairment indicators. This annual impairment test was significant to our audit because the goodwill and intangible assets balance is material to the financial statements and because management's assessment process is complex, highly judgmental and includes estimates and assumptions relating to expected future market or economic conditions.	Our procedures included, amongst others: • Evaluating management's determination of the Group's Cash Generating Units ("CGU's") to ensure they are appropriate, including being at a level no higher than the operating segments of the entity • Evaluating management's process regarding the valuation of the Group's goodwill and other intangible assets • Assessing the Group's assumptions and estimates relating to forecast revenue, costs, capital expenditure and discount rates used to determine the recoverable amount of its assets • Assessing the historical accuracy of forecasting of the Group by comparing the current year actual results with FY19 figures included in prior year forecasts to consider whether any forecasts included assumptions, that with hindsight, had been optimistic • Involving our internal specialists to assess the discount rates and terminal growth rates against comparable market information • Challenging key assumptions by performing sensitivity analysis on the growth rates and discount rate assumptions used.

2. Business combinations - including allocation of goodwill

Key audit matter	*How the matter was addressed in our audit*
During the year, the group acquired a number of podiatry and physiotherapy clinics. As disclosed in Note 36, as part of these business combination transactions, the Group recognised the following additional intangible assets: • Goodwill • Customer lists Business combinations is a key audit matter due to the significant audit effort to test the group's acquisitions during the year and the level of judgement applied in evaluating management's assessment of goodwill allocated in the purchase.	Our procedures included, amongst others: • Reviewing purchase documentation including contracts and business sale agreements • Obtaining a detailed understanding of the acquired businesses • Assessing the appropriateness of the valuation methodology of the assets acquired • Reviewing management's assessment of the fair value of the consideration paid and the recognition of any deferred consideration upon the acquisition date • Assessing the appropriateness of the disclosures in relation to both the business combinations and intangible assets acquired included in Notes 1,2, 14 and 36

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 24 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Healthia Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

Cameron Henry
Director

Brisbane, 30 August 2019

The shareholder information set out below are current as at August 2019

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of ordinary shares
1 to 1,000	82	54,237
1,001 to 5,000	220	704,418
5,001 to 10,000	110	978,175
10,001 to 100,000	304	11,260,922
100,001 and over	35	15,782,001
	751	28,779,753
Holding less than a marketable parcel	29	11,623

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
MY FOOTDR HOLDINGS PTY LTD	6,990,694	11.09
DLH TRADING PTY LTD	3,787,676	6.01
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,500,000	5.55
MAXIMUM (NQ) PTY LTD	3,387,323	5.37
ROM GROUP PTY LTD	3,037,674	4.82
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,371,505	3.76
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,204,314	1.91
CHRISTOPHER ANGEL & GINA RICHMAN	1,158,030	1.84
MRS TRACEY LEE CUNNINGHAM	975,000	1.55
LEGGS PTY LTD	962,317	1.53
DPC INVESTMENTS PTY LTD	942,246	1.49
GF & LH RICHARDS SUPER PTY LTD	942,246	1.49
MR ANTHONY PETER GANTER & MS DEBORAH LEE HUBER	863,212	1.37
VASSALLO CORPORATE HOLDINGS PTY LTD	763,654	1.21
ABC INVESTING PTY LTD	749,731	1.19
MAXIMUM (NQ) PTY LTD	665,670	1.06
MATTHEW JOHN ROACH	630,548	1.00
SARGON CT PTY LTD	616,955	0.98
LISA SILVER	534,550	0.85
COMFOOT INVESTMENTS PTY LTD	467,244	0.74
	34,550,589	54.81

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
MY FOOTDR HOLDINGS PTY LTD	6,990,694	11.09
DLH TRADING PTY LTD	3,787,676	6.01
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,500,000	5.55
MAXIMUM (NQ) PTY LTD	3,387,323	5.37

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Class	Expiry date	Number of shares
Ordinary shares	11 September 2020	34,254,904

Share Registry

Securityholders who have any questions regarding their holding should contact the company's registrar:

Link Market Services Limited
P: 1300 554 474 (in Australia) or +61 1300 554 474 (from overseas)
F: +61 2 9287 0303
E: registrars@linkmarketservices.com.au
www.investorcentre.linkmarketservices.com.au