Healthia Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Healthia Limited
ABN:	85 626 087 223
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	87.3%	to	29,477
Loss from ordinary activities after tax attributable to the owners of Healthia Limited	up	408.5%	to	(839)
Loss for the half-year attributable to the owners of Healthia Limited	up	408.5%	to	(839)

	31 December 2018 Cents	31 December 2017 Cents
Basic loss per share	(1.78)	(1.47)
Diluted loss per share	(1.78)	(1.36)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $839,000 (31 December 2017: $165,000).

In the half-year to 31 December 2018, one off costs associated with the IPO and related acquisitions of $2.306 million were incurred. In addition a further one off non-recurring expense of $0.182 million was incurred. Excluding the impact of these amounts, underlying profit from ordinary activities after tax attributed to owners of Healthia Limited was $1.667 million (31 December 2017: $0.529 million).

An explanation of the above figures is contained in 'Review of Operations' included within the Director's report in the attached Half Year 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 Half Year Financial Report of Healthia Limited. Therefore, all comparative figures stated in this Appendix 4D and the attached Half Year Financial Report of Healthia Limited are in relation to My FootDr (Aust) Ltd for the corresponding comparative period.

3. Net tangible assets

	31 December 2018 Cents	30 June 2018 Cents
Net tangible assets per ordinary security	(16.41)	(142.19)

4. Control gained over entities

Name of entities (or group of entities)	Refer to Note 15 'Business combinations' in the attached Half Year Financial Report for details
Date control gained	Refer to Note 15 'Business combinations' in the attached Half Year Financial Report for details

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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.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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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 were subject to a review by the auditors and the review report is attached as part of the Half Year Financial Report.

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11. Attachments

Details of attachments (if any):

The Half Year Financial Report of Healthia Limited for the half-year ended 31 December 2018 is attached.

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12. Signed

Signed | Date: 21 February 2019

Wesley Coote
Company Secretary
Bowen Hills, Brisbane

Healthia Limited

ABN 85 626 087 223

Half Year Financial Report - 31 December 2018

Healthia Limited
Corporate directory
31 December 2018

Directors	Glen Richards Paul Wilson Lisa Dalton Darren Stewart Tony Ganter
Company secretary	Wesley Coote
Registered office	Level 4, 25 Montpelier Rd, 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
Stock exchange listing	Healthia Limited shares are listed on the Australian Securities Exchange (ASX code: HLA)
Website	www.healthia.com.au

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Healthia Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

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

Dr Glen Frank Richards
Paul David Wilson
Lisa Jane Dalton
Darren Lindsey Stewart
Anthony Peter Ganter

Principal activities
During the financial half-year the principal continuing activities of the Consolidated Entity consisted of:
- 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 half-year.

Review of operations
The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $839,000 (31 December 2017: $165,000).

In the half-year to 31 December 2018, one off costs associated with the IPO and related acquisitions of $2.306 million were incurred. In addition a further one off non-recurring expense of $0.182 million was incurred. Excluding the impact of these amounts, underlying profit from ordinary activities after tax attributed to owners of Healthia Limited was $1.667 million (31 December 2017: $0.529 million).

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. At the time of acquisition, the MFDA Group owned and operated the 56 My FootDr Podiatry clinics, iOrthotics (orthotics laboratory) and a 50% interest in D.B.S. Medical (podiatry wholesale business). Total consideration for the MFDA Group acquisition was $33.645 million including $2.494 million in cash consideration, $2.500 million in contingent consideration and $28.651 million in share consideration. The contingent consideration of $2.5 million is payable if the Podiatry Operating Segment EBITDA for FY19 is greater than $11 million.

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 Half Year 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.

Acquisitions of 16 Podiatry Clinics by the MFDA Group
The MFDA Group acquired an additional 16 podiatry clinics (the Podiatry Acquisitions) which completed between 29 August 2018 and 4 September 2018. Total consideration for the Podiatry Acquisition was $4.084 million including $3.864 million in cash consideration, $0.212 million in clinic class share consideration issued by MFDA Group and $0.008 million in share consideration issued by Healthia Limited.

Acquisitions of Additional 25% Interest in D.B.S. Medical by the MFDA Group
The MFDA Group acquired a further 25% interest in D.B.S. Medical on 31 August 2018. Total consideration for the additional 25% interest in D.B.S. Medical was $0.587 million including $0.294 million in cash consideration and $0.293 million in share consideration issued by Healthia Limited.

Acquisitions of Additional 50% Interest in My FootDr (Cleveland) Pty Ltd by the MFDA Group
The MFDA Group acquired a further 50% of My FootDr (Cleveland) Pty Ltd on 31 August 2018. Total consideration for the additional 50% interest in My FootDr (Cleveland) Pty Ltd was $1.094 million in cash consideration issued by Healthia Limited.

Acquisition of the 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.

Acquisition of the Allsports Physiotherapy Clinics by PHL
PHL acquired 14 Allsports Physiotherapy clinics, the Allsports management business and the Allsports intellectual property, including the brand (collectively the Allsports Acquisitions). The Allsports Acquisitions completed between 29 August 2018 and 3 September 2018. Total consideration for the Allsports Acquisitions was $15.732 million including $8.953 million in cash consideration, $1.717 million in clinic class share consideration issued by PHL, $0.450 million in contingent consideration and $4.611 million in share consideration issued by Healthia Limited.

Acquisition of 9 Physiotherapy Clinics by PHL
PHL acquired an additional 9 physiotherapy clinics between 31 August 2018 and 4 September 2018. In addition to the 9 physiotherapy clinic acquisitions, PHL made an additional 3 physiotherapy clinic acquisitions post Listing. These acquisitions completed between 14 September 2018 and 21 November 2018. Total consideration for these physiotherapy clinic acquisitions was $9.464 million including $5.754 million in cash consideration, $1.827 million in clinic class share consideration issued by PHL, $0.700 million in contingent consideration and $1.183 million in share consideration issued by Healthia Limited.

Acquisition of the 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.

Acquisition of Extend Rehabilitation by HTPL
HTPL acquired the 7 Extend Rehabilitation clinics on 3 September 2018. Total consideration for the Extend Acquisitions was $2.257 million including $1.087 million in cash consideration, $0.360 million in clinic class share consideration issued by HTPL, $0.450 million in contingent consideration and $0.360 million in share consideration issued by Healthia Limited.

Clinic merger
During the period, the Consolidated Entity merged the Townsville City podiatry clinic with the Townsville Willows podiatry clinic. The merger will create greater efficiencies with clinician and administration staff utilisation, as well as provide future save costings through the reduction off duplicated costs. During the period the consolidated group incurred a number of one-off non-recurring costs in relation to the merger of these two clinics. These costs have been added back to the underlying financial results below.

Clinic openings
During the period, the Consolidated Entity opened 2 new podiatry clinic within the Consolidated Entity's physiotherapy clinics.

Clinic closure
The Consolidated Entity closed the Whitsunday podiatry clinic during the period. During the period the Consolidated Entity incurred a number of one-off non-recurring costs in relation to the closure of this clinic. These costs have been added back to the underlying financial results below.

Financial Overview
The statutory financial results are set out in the table below. The results are reflective of the short ownership period of the businesses since listing on the ASX, with the statutory results inclusive of a number of one-off costs associated with acquisition of the clinics during the half-year. A summary of the underlying financial results are also included below to assist the financial report users' understanding of the underlying operational performance of the Consolidated Entity.

Table 1: Healthia Limited Summary for the Half Year Ended 31 December 2018

	31-Dec-18 $'000's Statutory	31-Dec-18 $'000's Underlying 1
Revenue	29,477	29,477
EBITDA 2	1,820	4,308
EBIT 3	766	3,254
Net profit before income tax expense	164	2,652
Net profit after income tax expense	(497)	1,991
Amortisation Expense	192	192
NPATA 4	(304)	2,184
Non-controlling interest	(342)	(342)
NPATA attributable to the owners of Healthia Limited	**(646)**	**1,842**

1. Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the consolidated entity, in accordance with AICD/Finsia principles of recording underlying profit. Underlying profit has not been audited. A reconciliation between underlying net profit after income tax and statutory net profit after income tax can be found at Table 2.

2. EBITDA equals Earnings before interest, tax, depreciation and amortisation and is a non-IFRS measure

3. EBIT equals Earnings before interest and tax and is a non-IFRS measure

4. NPATA equals net profit after income tax expense plus amortisation of customer list intangibles. NPATA is a non-IFRS measure

A reconciliation between underlying net profit after income tax and statutory net profit after income tax can be found below at Table 2.

Table 2: Healthia Limited reconciliation between statutory NPAT and underlying NPAT

	31-Dec-18 $'000's
Statutory net profit after income tax expense	(497)
Acquisition costs 1	2,306
One-off non-recurring expenses 2	182
Underlying net profit after income tax expense	1,991

1. Acquisition costs relate to the acquisition of the podiatry and physiotherapy businesses during the period.

2. The costs associated with the merger of two Townsville podiatry clinics and the closure of the Whitsundays podiatry clinic.

Finance Facilities
The Consolidated Entity accepted banking facilities from Australia and New Zealand Banking Group Limited and the Bank of Queensland Limited (Financiers) for the provision of the following key financing facilities:

Australian and New Zealand Banking Group facilities:
- $23.0 million to assist with acquisitions of podiatry and physiotherapy clinics; and
- $1.0 million working capital facility.

Bank of Queensland facilities:
- $14.0 million to assist with acquisitions of allied health clinics; and
- $3.0 million bank guarantee facility.

As at 31 December 2018, $16.451 million of the facilities were drawn (excluding $1.725 million in bank guarantees). The undrawn amount of $20.549 million, combined with future operational cash flows, provides capacity to fund future acquisition opportunities.

Clinician Retention Program
Healthia's Clinician Retention Program allows for clinicians to have ownership in the clinics of the Consolidated Entity, through the issue of Clinic Class Shares to them.

The Clinic Class Shares are non-voting shares and holders of Clinic Class Shares may receive a cash distribution 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 distribution is declared by the relevant Subsidiary to Healthia Limited. Each Clinic Class Share will entitle the holder to a distribution of up to 1% of the earnings generated by the Clinic to which the Clinic Class Share relates.

The Directors consider that this helps to maintain alignment between clinicians, Healthia and its shareholders. As at 31 December 2018, the Consolidated Entity has partnered with 57 clinicians, who currently own 1,501 Clinic Class Shares in various clinics of the Consolidated Entity. Distributions to Clinic Class Shareholders for the half-year ended 31 December 2018 were $0.310 million.

Progress on Clinic Integrations
A key focus for the Board and Senior Management has been the integration of the podiatry and physiotherapy acquisitions made at or around the time of Listing. Healthia has been able to achieve a faster than expected integration of the clinic acquisitions by leveraging the expertise of the Senior Management team and the operating history of the My FootDr and Allsports Physiotherapy businesses.

The My FootDr business already had established back-office systems (including, finance, payroll and human resources), together with associated policies and procedures. All acquisitions were integrated into these systems which has helped to facilitate reporting and monitoring of clinic performance, enable management to identify and respond in a timely manner to issues arising at any of the clinics and ensure risks of the Consolidated Entity are adequately managed.

All of the clinics are now operating on one common clinic management software system. Having all clinics on this one clinic management system allows for ease of management of the clinics, enhanced financial reporting and delivery of benchmarking metrics, as well as providing for stronger internal controls than that of a decentralised model.

The Consolidated Entity's ability to deliver a smooth integration process has been assisted by the Clinician Retention Program, as clinicians continue to own a percentage of the local clinic they work in, aligning the interest of the key clinician/s with that of Healthia and its shareholders.

Education and training programs have been established for the My FootDr and the Allsports Physiotherapy clinics, with all clinical staff now engaging in regular training. The education programs are designed to support clinicians working within clinics, from new graduates to experienced staff members, enabling them to become more skilful practitioners, as well as encouraging staff retention.

In addition to the education programs which are being delivered to the clinicians of the Consolidated Entity, the Podiatry Clinical Advisory Committee and Physiotherapy Clinical Advisory Committee, comprising of experienced clinicians, have been set up to oversee the clinical governance, compliance and education programs of the Consolidated Entity. These committees closely monitor, and are responsible for, the education of clinicians and the quality of service delivery by the Consolidated Entity's clinics.

Strategy and future performance
The Healthia business model is to operate and expand the network of podiatry and physiotherapy businesses in accordance with disciplined management criteria. The Consolidated Entity intends to achieve this by identifying, acquiring and integrating new clinics and organically growing its portfolio of clinics.

The company will aim to drive growth through the following five-tiered growth strategy:
1. patient focused outcomes;
2. organic growth;
3. future accretive acquisitions;
4. vertically integrated businesses units; and
5. new clinic openings.

The key organic growth initiatives which have been implemented by the Consolidated Entity are as follows:
- The implementation of education programs and Clinical Advisory Committees;
- The Clinician Retention Program;
- The introduction of podiatry services into physiotherapy clinics;
- Patient retention programs designed to attract and retain patients; and
- Centralised administration support including all clinics operating from a common clinic management software system.

The Consolidated Entity has recruited 16 new graduate podiatrists and 17 new graduate physiotherapists. These new graduates started at the beginning of February 2019 and were put through the new graduate induction program. The graduates are expected to assist with future organic growth.

Acquisition will be a central pillar of Healthia’s growth strategy. The Consolidated Entity intends to acquire new clinics and it will 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. The Company will utilise the $20.549 million of undrawn debt available under the facility agreement with the Financiers, free cash generated from the operations of the businesses and the Clinic Retention Program to fund future acquisitions. As at the reporting date, the Consolidated Entity has entered into contracts to acquire an additional 2 podiatry and 3 physiotherapy clinics. Further details on these acquisitions is contained in Note 15 Events after the reporting period.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

Matters subsequent to the end of the financial half-year
Clinic Acquisitions
The Consolidated Entity has entered into agreements to acquire 2 additional podiatry clinics and 3 additional physiotherapy clinics, with all acquisitions expected to settle before 31 March 2019. Total consideration to be paid for the acquisitions is $2.605 million including $2.113 million in cash consideration and $0.493 million in clinic class share consideration.

No other matter or circumstance has arisen since 31 December 2018 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.

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.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Glen Richards

21 February 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 review of Healthia Limited for the half-year ended 31 December 2018, 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 review
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 21 February 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 half-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 are:

Registered office	Principal place of business
Level 4, 25 Montpelier Road Bowen Hills, QLD 4006	Level 4, 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 21 February 2019.

Healthia Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 December 2018 $'000	Consolidated 31 December 2017 $'000
Revenue	4	29,477	15,740
Expenses			
Cost of sales		(2,394)	(2,342)
Acquisition costs		(2,306)	(521)
Employee benefits expense		(16,961)	(8,185)
Depreciation expense		(862)	(384)
Amortisation expense		(192)	(146)
Loss on disposal of assets		(6)	(175)
Other expenses		(2,155)	(1,321)
Finance costs		(602)	(450)
Marketing		(428)	(544)
Occupancy		(3,407)	(1,445)
Profit before income tax expense		164	227
Income tax expense		(661)	(267)
Loss after income tax expense for the half-year		(497)	(40)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		(497)	(40)
Loss for the half-year is attributable to:			
Non-controlling interest		342	125
Owners of Healthia Limited		(839)	(165)
		(497)	(40)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		342	125
Owners of Healthia Limited		(839)	(165)
		(497)	(40)

Basic and Diluted loss per share attributable to the shareholders of Healthia Limited

	Cents	Cents
Basic loss per share	(1.78)	(1.47)
Diluted loss per share	(1.78)	(1.36)

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

Healthia Limited
Statement of financial position
As at 31 December 2018

	Note	Consolidated 31 December 2018 $'000	30 June 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		4,555	741
Trade and other receivables		3,811	1,238
Inventories		3,309	2,367
Other current assets		1,041	423
Total current assets		12,716	4,769
Non-current assets			
Property, plant and equipment	5	7,427	4,757
Intangibles	6	57,842	27,055
Deferred tax		2,126	1,038
Total non-current assets		67,395	32,850
Total assets		80,111	37,619
Liabilities			
Current liabilities			
Trade and other payables		5,431	4,264
Borrowings	7	726	15,267
Income tax		203	(19)
Employee benefit obligations		2,420	1,179
Provisions		326	326
Other current liabilities	8	4,426	274
Total current liabilities		13,532	21,291
Non-current liabilities			
Borrowings	9	17,038	4,287
Deferred tax		504	205
Employee benefit obligations		229	157
Provisions		516	262
Other liabilities		795	328
Total non-current liabilities		19,082	5,239
Total liabilities		32,614	26,530
Net assets		47,497	11,089
Equity			
Contributed equity	10	49,750	13,406
Reserves	11	(7,059)	(696)
Accumulated losses		(2,838)	(1,999)
Equity attributable to the owners of Healthia Limited		39,853	10,711
Non-controlling interest	12	7,644	378
Total equity		47,497	11,089

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

Healthia Limited
Statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital $'000	Other 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 expense for the half-year	-	-	(165)	125	(40)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(165)	125	(40)
Transactions with owners in their capacity as owners:					
Share-based payments	-	35	-	-	35
Issue of ordinary shares as consideration for acquisition of non-controlling interest	433	-	-	-	433
Transactions with non-controlling interest	-	(956)	96	(96)	(956)
Distributions paid to non-controlling interest	-	-	-	(65)	(65)
Balance at 31 December 2017	13,406	(831)	(160)	460	12,875

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

Healthia Limited
Statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	**Issued capital $'000**	**Other reserves $'000**	**Accumulated losses $'000**	**Non-controlling interest $'000**	**Total equity $'000**
Balance at 1 July 2018	13,406	(696)	(1,999)	378	11,089
Profit/(loss) after income tax expense for the half-year	-	-	(839)	342	(497)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(839)	342	(497)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 10)	27,663	-	-	-	27,663
Issue of ordinary shares as consideration for business combinations, net of transaction costs (note 15)	6,162	-	-	-	6,162
Issue of ordinary shares as consideration for acquisition of non-controlling interest, net of transaction costs (note 11)	294	-	-	-	294
Conversion from clinic class shares to ordinary shares (note 10)	2,225	-	-	(2,225)	-
Reclassification of existing clinic class shares from debt to equity	-	-	-	3,967	3,967
Contributions of clinic class shares	-	-	-	1,578	1,578
Issue of clinic class shares as consideration for business combinations (note 15)	-	-	-	4,116	4,116
Transactions with non-controlling interests	-	(1,369)	-	(202)	(1,571)
Distributions paid to non-controlling interest	-	-	-	(310)	(310)
Pre-IPO distributions (note 11)	-	(4,994)	-	-	(4,994)
Balance at 31 December 2018	49,750	(7,059)	(2,838)	7,644	47,497

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

Healthia Limited
Statement of cash flows
For the half-year ended 31 December 2018

	Note	Consolidated 31 December 2018 $'000	Consolidated 31 December 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		28,174	15,304
Payments to suppliers and employees (inclusive of GST)		(24,006)	(14,149)
		4,168	1,155
Interest and other finance costs paid		(603)	(443)
Acquisition costs paid		(2,306)	-
Income taxes (paid) / refunded		(291)	(102)
Net cash from operating activities		968	610
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	15	(19,482)	(2,338)
Payment for purchase of non-controlling interest, net of cash acquired		(1,389)	(284)
Payments of contingent business purchases consideration		(20)	-
Payments for property, plant and equipment	5	(1,938)	(776)
Payments for intangibles		(8)	-
Net cash used in investing activities		(22,837)	(3,398)
Cash flows from financing activities			
Proceeds from issue of shares	10	28,472	-
Share issue transaction costs		(1,935)	-
Proceeds from borrowings		17,025	3,701
Repayment of borrowings		(14,708)	(395)
Pre-IPO distributions		(2,494)	-
Distributions paid non-controlling interest		(310)	(65)
Net cash from financing activities		26,050	3,241
Net increase in cash and cash equivalents		4,181	453
Cash and cash equivalents at the beginning of the financial half-year		166	384
Cash and cash equivalents at the end of the financial half-year		4,347	837

Cash and cash equivalents at the end of the financial half-year are net of bank overdrafts of $0.208 million at 31 December 2018 (31 December 2017: $0.470 million).

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Material accounting policies adopted in the preparation of these interim half-year financial statements are presented below and have been consistently applied unless stated otherwise.

New and revised standards
A number of new or amended standards became applicable for the current reporting period and the Consolidated Entity had to change its accounting policies as a result of adopting the following standards:

- AASB 9 Financial Instruments; and
- AASB 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the Consolidated Entity’s accounting policies and did not require retrospective adjustments.

a) AASB 15 Revenue from Contracts with Customers – Impact of adoption
The group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. In accordance with the transition provisions in AASB 15, the Consolidated Entity has adopted the new rules retrospectively however there was no material impact on the amounts disclosed previously and as a result there has been no restatement required as a result of reclassification or remeasurement.

AASB 15 Revenue from Contracts with Customers – Accounting policies applied from 1 July 2018
Rendering of services
Revenue from the rendering of allied health services over the counter is recognised upon the performance of the service by the by reference to when the services have been provided by the allied health professional. Customers are billed at the time of service delivery and revenue recognised.

Sale of goods
Revenue from the sale of goods from clinics is recognised when a group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the goods.

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.

b) AASB 9 Financial Instruments – Impact of adoption
AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies. The new accounting policies are set out in note below. In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated.

Note 1. Significant accounting policies (continued)

(i) Classification and Measurement
On 1 July 2018 (the date of initial application of AASB 9), the Consolidated Entity's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories. There were no changes to the classification and measurement of financial assets.

(ii) Impairment of financial assets
The Consolidated Entity has one type of financial asset that is subject to AASB 9's new expected credit loss model, being trade and other receivables.

The Consolidated Entity was required to revise its impairment methodology under AASB. There was no material impact of the change in impairment methodology on the Consolidated Entity's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

AASB 9 Financial Instruments – Accounting policies applied from 1 July 2018
(i) Investments and other financial assets

Classification
From 1 July 2018, the Consolidated Entity classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Consolidated Entity reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement
At initial recognition, the Consolidated Entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the Consolidated Entity's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Consolidated Entity classifies its debt instruments:

Note 1. Significant accounting policies (continued)

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in the finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gain/ (losses) in the period in which it arises.

Impairment
From 1 July 2018, the Consolidated Entity assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Consolidated Entity applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Fair Values
The fair values of Consolidated Entity's financial assets and financial liabilities approximate their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Consolidated Entity has a working capital deficiency of $0.816 million as at 31 December 2018 (2017: $16.522 million). The reason for the working capital deficiency at 31 December 2018 is due to contingent consideration from recent business acquisitions totalling $4.245 million (2017: $0.220 million). All contingent consideration is classified as current as they are payable within the next 12 months.

Not-withstanding the working capital deficiency, the Directors are satisfied the Consolidated Entity is a going concern as the Consolidated Entity is forecast to generate sufficient operating cash flows to be able to fund the payment of the contingent consideration.

Comparative Figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation of the current financial year. Where the Consolidated Entity retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

In accordance with Australian Accounting Standards the acquisition of My FootDr (Aust) Ltd 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 combination of the My FootDr (Aust) Ltd in this Half Year Financial Report of Healthia Limited.

Note 1. Significant accounting policies (continued)

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Healthia Limited ('Company' or 'parent entity') as at 31 December 2018 and the results of all subsidiaries for the half-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.

Accounting policy for revenue from contracts with customers
Rendering of services
Revenue from the rendering of allied health services over the counter is recognised upon the performance of the service by the by reference to when the services have been provided by the allied health professional. Customers are billed at the time of service delivery and revenue recognised.

Sale of goods
Revenue from the sale of goods from clinics is recognised when a group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the goods.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Accounting policy for trade receivables
The Consolidated Entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Consolidated Entity has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Accounting policy for inventories
Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. 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 1. Significant accounting policies (continued)

Accounting policy for property, plant and equipment
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
Plant and equipment under lease	2-5 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.

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.

Amortisation methods and useful lives
The group amortises intangible assets with a limited useful life using the straight-line method over the following periods:
- Customer lists: 5 years

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.

Customer lists
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.

Note 1. Significant accounting policies (continued)

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. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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.

Accounting policy for 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.

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.

Accounting policy for contingent consideration
The contingent consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date. Any contingent consideration of the Consolidated Entity which is 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. The Consolidated Entity applies provisional accounting for any business combination. 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'. All contingent consideration of the Consolidated Entity as at 31 December 2018 is expected to be settled within 12 months.

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.

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.

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 1. Significant accounting policies (continued)

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.

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

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.

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. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets
The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Consolidated Entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Impairment of property, plant and equipment
The Consolidated Entity assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Contingent consideration
The contingent consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date. Any contingent consideration of the Consolidated Entity which is 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. The Consolidated Entity applies provisional accounting for any business combination. 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'. All contingent consideration of the Consolidated Entity as at 31 December 2018 is expected to be settled within 12 months.

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
Operating segments are identified based on the way that the CEOs, CFO and Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') regularly review the financial performance of the business, to assess performance and determine the allocation of resources. For internal management reporting purposes, the Consolidated Entity is organised into the following two divisions or operating segments:

Segment	Activity
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 services.

The other category comprises of corporate functions.

The CODM reviews underlying EBITDA (earnings before interest, tax, depreciation and amortisation). This information is reported on a monthly basis.

The Consolidated Entity operates predominantly in Australia.

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

Underlying results for the six months ended 31 December 2018 and 31 December 2017 exclude the impact of non-underlying items relating to:

Note 3. Operating segments (continued)

- One off non-recurring expenses; and
- Acquisition costs.

Further information on the underlying and statutory performance can be found in the review of operations on pages 2 to 6.

Operating segment information

Consolidated - 31 December 2018	Podiatry $'000	Physiotherapy $'000	Other $'000	Total $'000
Revenue				
Sales to external customers	19,441	10,037	-	29,478
Total revenue	19,441	10,037	-	29,478
Underlying EBITDA	5,086	1,682	(2,460)	4,308
Depreciation and amortisation	(616)	(315)	(123)	(1,054)
Finance costs	-	-	(602)	(602)
Profit/(loss) before income tax expense	4,470	1,367	(3,185)	2,652
Income tax expense				(661)
Profit after income tax expense				1,991
Underlying profit before tax				2,652
One off non-recurring expenses				(182)
Acquisition costs				(2,306)
Profit before income tax expense				164
Income tax expense				(661)
Loss after income tax expense				(497)

Consolidated - 31 December 2017	Podiatry $'000	Other $'000	Total $'000
Revenue			
Sales to external customers	15,740	-	15,740
Total revenue	15,740	-	15,740
Underlying EBITDA	3,771	(1,870)	1,901
Depreciation and amortisation	(530)	-	(530)
Finance costs	-	(450)	(450)
Profit/(loss) before income tax expense	3,241	(2,320)	921
Income tax expense			(267)
Profit after income tax expense			654
Underlying profit before income tax expense			923
Loss on disposal of assets			(175)
Acquisition costs			(521)
Profit before income tax expense			227
Income tax expense			(267)
Loss after income tax expense			(40)

Note 4. Revenue

	Consolidated 31 December 2018 $'000	Consolidated 31 December 2017 $'000
Rendering of services	24,438	11,862
Sale of goods	4,716	3,878
Other revenue	323	-
Revenue	29,477	15,740

Note 5. Non-current assets - property, plant and equipment

	Consolidated 31 December 2018 $'000	Consolidated 30 June 2018 $'000
Leasehold improvements - at cost	4,297	2,720
Less: Accumulated depreciation	(1,067)	(766)
	3,230	1,954
Plant and equipment - at cost	6,857	4,822
Less: Accumulated depreciation	(2,660)	(2,019)
	4,197	2,803
	7,427	4,757

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

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2018	1,954	2,803	4,757
Additions	659	1,279	1,938
Additions through business combinations (note 15)	918	676	1,594
Depreciation expense	(301)	(561)	(862)
Balance at 31 December 2018	3,230	4,197	7,427

Note 6. Non-current assets - intangibles

	Consolidated 31 December 2018 $'000	Consolidated 30 June 2018 $'000
Goodwill - at cost	56,164	26,385
Trademarks	13	5
Customer lists - at cost	2,139	947
Less: Accumulated amortisation	(474)	(282)
	1,665	665
	57,842	27,055

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

Consolidated	Goodwill $'000	Trademarks $'000	Customer Lists $'000	Total $'000
Balance at 1 July 2018	26,385	5	665	27,055
Additions	-	8	-	8
Additions through business combinations (note 15)	29,779	-	1,192	30,971
Amortisation expense	-	-	(192)	(192)
Balance at 31 December 2018	56,164	13	1,665	57,842

Note 7. Current liabilities - borrowings

	Consolidated 31 December 2018 $'000	Consolidated 30 June 2018 $'000
Bank overdraft	208	575
Bank loans	110	14,495
Related party payable	-	109
Lease liability	408	88
	726	15,267

Note 8. Current liabilities - other current liabilities

	Consolidated 31 December 2018 $'000	Consolidated 30 June 2018 $'000
Deferred lease incentives	181	54
Contingent consideration	4,245	220
	4,426	274

Note 8. Current liabilities - other current liabilities (continued)

Accounting for contingent consideration

The contingent consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date. Any contingent consideration of the Consolidated Entity which is 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. The Consolidated Entity applies provisional accounting for any business combination. 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'. All contingent consideration of the Consolidated Entity as at 31 December 2018 is expected to be settled within 12 months.

The Consolidated Entity has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3);

The contingent consideration has been classified in level 3 due to the use of unobservable inputs.

There were no transfers between the levels of fair value hierarchy during the half-year ended 31 December 2018. There were no other financial assets or liabilities valued at fair value at 31 December 2018 and 30 June 2018.

Note 9. Non-current liabilities - borrowings

	Consolidated 31 December 2018 $'000	30 June 2018 $'000
Bank loans	16,451	-
Clinic class shares debt	-	3,966
Loan - Related Parties	-	15
Lease liability	587	306
	17,038	4,287

Total secured liabilities

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

	Consolidated 31 December 2018 $'000	30 June 2018 $'000
Bank overdraft	208	575
Bank loans	16,561	14,495
Clinic class shares debt	-	3,966
Loan - Related Parties	-	124
Lease liability	995	394
	17,764	19,554

Note 9. Non-current liabilities - borrowings (continued)

Assets pledged as security
The bank overdraft and loans are secured by first mortgages over the Consolidated Entity's assets.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Note 10. Equity - contributed equity

	Consolidated			
	31 December 2018 Shares	30 June 2018 Shares	31 December 2018 $'000	30 June 2018 $'000
Ordinary shares - fully paid	63,034,653	11,229,856	49,750	13,406
Non-recourse employee loan shares	-	919,166	-	-
	63,034,653	12,149,022	49,750	13,406

Movements in ordinary share capital

Details	Date	Shares '000	Issue price	$'000
Balance	1 July 2018	11,229		13,406
Vesting of non-recourse employee share loan	5 July 2018	919	$0.97	890
Issue of ordinary shares - issued by MFDA	30 July 2018	200	$1.00	200
Issue of ordinary shares - MFDA Group Acquisition*	30 July 2018	14,079	$0.00	-
Issue of ordinary shares - MFDA Group Acquisition rollover of Clinic Class Shares	30 July 2018	2,225	$1.00	2,225
Issue of ordinary shares - acquisition of businesses	29 August 2018	1,585	$1.00	1,585
Issue of ordinary shares - acquisition of businesses	30 August 2018	2,720	$1.00	2,720
Issue of ordinary shares - acquisition of businesses	31 August 2018	1,017	$1.00	1,017
Issue of ordinary shares - acquisition of additional 25% interest in DBS	31 August 2018	294	$1.00	294
Issue of ordinary shares - acquisition of businesses	3 September 2018	360	$1.00	360
Issue of ordinary shares - acquisition of businesses	4 September 2018	480	$1.00	480
Issue of ordinary shares - Initial Public Offer	11 September 2018	27,927	$1.00	27,927
Less: share issue transaction costs		-	$0.00	(1,934)
Tax recognised in equity		-	$0.00	580
Balance	31 December 2018	63,035		49,750

*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 Half Year 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.

Note 10. Equity - contributed equity (continued)

Movements in non-recourse employee shares (NRE)

Details	Date	Shares '000	Issue price	$'000
Balance	1 July 2018	919		-
Vesting of non-recourse employee share loans	5 July 2018	(919)	$0.00	-
Balance	31 December 2018	-		-

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.

Share buy-back
There is no current on-market share buy-back.

Note 11. Equity - reserves

	Consolidated	
	31 December 2018 $'000	30 June 2018 $'000
Share-based payments reserve	175	175
Transactions with non-controlling interest reserve	(2,240)	(871)
Pre-IPO distributions reserve	(4,994)	-
	(7,059)	(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.

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 in this half-year is detailed below:

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. At the time of acquisition, the MFDA Group owned and operated the 56 My FootDr Podiatry clinics, iOrthotics (orthotics laboratory) and a 50% interest in D.B.S. Medical (podiatry wholesale business). Total consideration for the MFDA Group acquisition was $33.645 million including $2.494 million in cash consideration, $2.500 million in contingent consideration and $28.651 million in share consideration. The contingent consideration of $2.5 million is payable if the Podiatry Operating Segment EBITDA for FY19 is greater than $11 million.

Note 11. Equity - reserves (continued)

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 Half Year 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.

The total of the $2.494 million in cash consideration and $2.500 million in contingent 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 half-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 12. Equity - non-controlling interest

	Consolidated	
	31 December 2018 $'000	30 June 2018 $'000
Issued clinic class shares	7,436	-
Retained profits	208	378
	7,644	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 13. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 14. Related party transactions

Parent entity
Healthia Limited is the parent entity.

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

Leased properties owned by directors, or their associates
Related parties of Darren Stewart and Anthony Ganter own several properties which are leased by the Consolidated Entity. The Board has considers that each of these arrangements are on arm's length, commercial terms and are subject to the usual risks associated with other leases entered by the Consolidated Entity.

Licence for use of My FootDr Brand in Singapore
Darren Stewart has a controlling interest in one podiatry clinic in Singapore which has been granted a non-exclusive license to use the My FootDr brand for a nominal fee. The license agreement is cancellable by the Consolidated Entity with 30 days' notice and doesn't affect the rights of the Consolidated Entity and its use of the My FootDr brand in the jurisdictions which the Consolidated Entity expects to operate.

Contingent consideration relation to the acquisition of the My FootDr (Aust) Ltd by Healthia Limited
Glen Richards, Paul Wilson and Darren Stewart, together with the other My FootDr (Aust) Ltd shareholders, are entitled to receive a portion of the $2.5 million contingent consideration relating to the acquisition of the My FootDr (Aust) Ltd by Healthia Limited on 30 July 2018. The contingent consideration of $2.5 million is payable if the Podiatry Operating Segment EBITDA for FY19 is greater than $11 million.

Acquisition of Allsports Physiotherapy
Anthony Ganter is associated with vendors who were sellers in relation to the acquisition of certain Allsports Physiotherapy clinics, the Allsports management business and the Allsports intellectual property and received Healthia Limited shares and cash in consideration for the various sales.

Sales commission
An associate of Anthony Ganter was paid a sale commission by the sellers of the Allsports Physiotherapy acquisition.

Note 15. 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.

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 21 November 2018 Healthia Limited acquired 100% of the business assets of 12 physiotherapy clinics for the total consideration transferred of $9.464 million including $5.754 million in cash consideration, $0.700 million in contingent consideration, $1.827 million in Clinic Class Share consideration and $1.183 million in Healthia Limited ordinary share consideration.

Other podiatry clinics
Between 29 August 2018 and 4 September 2018 Healthia Limited acquired 100% of the business assets of 16 podiatry clinics, 11 of these clinics being located inside the Allsports Physiotherapy clinics, for the total consideration transferred of $4.084 million including $3.864 million in cash consideration, $0.212 million in Clinic Class Share consideration and $0.008 million in Healthia Limited ordinary share consideration.

Note 15. Business combinations (continued)

Financial Contribution
The acquired businesses contributed revenues of $11.176 million and profit before tax of $1.489 million to the Consolidated Entity for the period from the dates of the acquisition to 31 December 2018. If the above acquisitions had occurred on 1 July 2018 (the beginning of the financial year), the adjusted Consolidated Group consolidated revenue would have been $35.955 million, underlying profit before tax would have been $3.592 million and statutory profit before tax would have been $1.104 million.

Details of the acquisition are as follows:

	Allsports Physiotherapy	Extend Rehabilitation	Other Physiotherapy Acquisitions	Other Podiatry Acquisition	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	162	184	604
Plant and equipment	996	30	458	110	1,594
Customer lists	373	109	550	160	1,192
Deferred tax asset	242	45	204	28	519
Other assets	53	1	9	14	77
Trade payables	(223)	-	-	-	(223)
Deferred tax liability	(112)	(33)	(165)	(48)	(358)
Employee benefits	(639)	(127)	(579)	(50)	(1,395)
Other liabilities	(408)	-	(29)	-	(437)
Net assets acquired	611	139	610	398	1,758
Goodwill	15,120	2,118	8,854	3,687	29,779
Acquisition-date fair value of the total consideration transferred	15,731	2,257	9,464	4,085	31,537
Representing:					
Cash paid or payable to vendor	8,953	1,087	5,754	3,864	19,659
Healthia Limited shares issued to vendor	4,611	360	1,183	8	6,162
Clinic Class Shares issued to vendor	1,717	360	1,827	212	4,116
Contingent consideration	450	450	700	-	1,600
	15,731	2,257	9,464	4,084	31,537

The values identified in relation to the acquisitions are provisional as at 31 December 2018.

Acquisition related costs of $2.306 million are included as acquisition costs in the statement of profit and loss and other comprehensive income.

Note 16. Events after the reporting period

Clinic Acquisitions
The Consolidated Entity has entered into agreements to acquire 2 additional podiatry clinics and 3 additional physiotherapy clinics, with all acquisitions expected to settle before 31 March 2019. Total consideration to be paid for the acquisitions is $2.605 million including $2.113 million in cash consideration and $0.493 million in clinic class share consideration.

No other matter or circumstance has arisen since 31 December 2018 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.

Healthia Limited
Directors' declaration
31 December 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Glen Richards

21 February 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 REVIEW REPORT

To the members of Healthia Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Healthia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

BDO

C K Henry
Director

Brisbane, 21 February 2019