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

1. Company details

Name of entity:	Healthia Limited
ACN:	626 087 223
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	34.0%	to	87,225
Profit from ordinary activities after tax attributable to the owners of Healthia Limited	up	N/A	to	2,691
Profit for the year attributable to the owners of Healthia Limited	up	N/A	to	2,691

	2020 Cents	2019 Cents
Basic earnings per share	4.27	(2.25)
Diluted earnings per share	4.10	(2.25)

Dividends

As at the date of signing the financial report, the Directors of Healthia Limited have recommended the payment of a final fully franked dividend of 2.00 cents per share to the ordinary shareholders of Healthia Limited.

2020 final dividend dates:
- Ex-dividend date: 8 September 2020
- Record date: 9 September 2020
- Payment date: 28 September 2020

A fully underwritten Dividend Reinvestment Plan (DRP) has been put in place for the final dividend to preserve cash reserves.

The interim dividend of 1 cent per share originally declared on 24 February 2020 was subsequently cancelled on 24 March 2020 to preserve cash reserves for working capital and acquisitions in light of COVID-19 developments.

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

Comments
The profit for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $2,691,000 (30 June 2019: loss of $1,238,000).

During the 2020 Financial Year, the Consolidated Entity acquired 31 allied health businesses (18 Podiatry Clinics, 9 Physiotherapy Clinics and 4 Hand Therapy Clinics). This should be considered when interpreting the statutory financial results.

During the Financial Year ended 30 June 2019, the Consolidated Entity underwent significant corporate and capital restructuring to allow it to ultimately list on the Australian Securities Exchange ('ASX') on 11 September 2018. In conjunction with listing, the Consolidated Entity acquired 48 allied health businesses. A further 12 allied health businesses were acquired between September 2018 and June 2019. These significant events should be considered when interpreting the statutory financial results and comparative period results.

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(38.54)	(20.89)

Note that Right of Use assets are included in the net tangible asset calculations above.

4. Control gained over entities

Refer to note 38 for details of business combinations in the year.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
As at the date of signing the financial report, the Directors of Healthia Limited have recommended the payment of a final fully franked dividend of 2.00 cents per share to the ordinary shareholders of Healthia Limited.

A fully underwritten Dividend Reinvestment Plan (DRP) has been put in place for the final dividend to preserve cash reserves.

The interim dividend of 1 cent per share originally declared on 24 February 2020 was subsequently cancelled on 24 March 2020 to preserve cash reserves for working capital and acquisitions in light of COVID-19 developments.

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

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The legal parent company, Healthia Limited, has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a discount to the market price, as the Directors may determine.

A 2.5% discount will apply to the Dividend Reinvestment Plan for the final dividend and the DRP pricing period will be the 5 trading days immediately prior to the record date.

A copy of the Dividend Reinvestment Plan rules can be found on Healthia's Website https://healthia.com.au/s/Dividend-Reinvestment-Plan-Rules.pdf.

8. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	**Reporting period %**	**Previous period %**	**Reporting period $'000**	**Previous period $'000**
Fracture Holdco Pty Ltd	45.00%	45.00%	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			-	-

On 29 May 2019, the Consolidated Entity acquired an interest in Fracture Holdco Pty Ltd.

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9. Foreign entities

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

Not applicable.

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10. Audit qualification or review

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

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

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11. Attachments

Details of attachments (if any):

The Annual Report of Healthia Limited for the year ended 30 June 2020 is attached.

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12. Signed

Signed ___________________________ Date: 26 August 2020

Glen Frank Richards
Director

Healthia Limited and its Controlled Entities

ACN 626 087 223

Annual Report - 30 June 2020

Healthia Limited and its Controlled Entities
Corporate directory
30 June 2020

Directors	Dr Glen Richards Paul Wilson Lisa Dalton Darren Stewart Anthony Ganter Wesley Coote
Company Secretary	Christopher Banks
Notice of annual general meeting	The Annual General Meeting of Healthia Limited is expected to be held on 18 November 2020.
Registered office	Level 4, East Tower 25 Montpelier Road Bowen Hills QLD 4006
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 www.linkmarketservices.com.au
Auditor	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000 www.bdo.com.au
Solicitors	Colin Biggers & Paisley Level 35, 1 Eagle Street Brisbane QLD 4000 www.cbp.com.au
Website	www.healthia.com.au
Corporate Governance Statement	The Consolidated Entity's directors and management are committed to conducting the company's business in an ethical manner and in accordance with the highest standards of corporate governance. The Consolidated Entity has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) to the extent appropriate to the size and nature of the company's operations. The Consolidated Entity's policies can be found on its website: https://www.healthia.com.au/corporate-governance/
ASX Listing Rule 4.10.19 Statement	The Consolidated Entity confirms that, in accordance with ASX Listing Rule 4.10.19, that it has used the cash (and assets in a form readily convertible to cash) from the time of admission in a way that is consistent with its business objectives during the period from admission to the reporting date.

Dear Fellow Shareholders,

On behalf of the Board of Healthia Limited (Healthia or HLA or Company or Group or the Consolidated Entity), it is my pleasure to present Healthia's Annual Report for the year ended 30 June 2020.

The financial year has presented some unique challenges with the onset of the COVID-19 pandemic and associated social distancing measures in Australia. I am extremely proud of our teams for banding together and implementing safety measures for the well-being of our patients and people.

Operational Highlights

Healthia owns and operates a portfolio of allied health businesses throughout Australia. The focus of the Healthia is to operate and expand a network of allied health businesses in Australia, with a current focus on the podiatry and physiotherapy industries. At the reporting date, Healthia owned the following allied health businesses:

- 93 podiatry clinics (FY19: 75);
- 43 physiotherapy clinics (FY19: 34);
- 13 hand therapy clinics (FY19: 9);
- 2 orthotics laboratories trading as iOrthotics (FY19:1); and
- 75% of a podiatry and foot care supplies and equipment wholesale business trading as D.B.S. Medical.

Key operational highlights for the year include:

- Patient engagement strategies and the robust nature of allied health businesses, helped deliver adjusted organic revenue growth of 5.3%[1] during the financial year, comprised of 6.8% in physiotherapy and 4.5% in podiatry;
- Continued improvement and evolution of Healthia's industry leading education platform, including the graduate training program (45 new graduates enrolled), Clinical Leadership Program (33 clinicians enrolled), Business Leadership Program (34 clinicians enrolled) and inaugural Healthia conference (437 team members attended);
- Customer led expansion of iOrthotics into North America with the launch of a 3D printed orthotics manufacturing laboratory in New York (58% equity ownership), which provides the opportunity to capture market share in the USD $1.3BN United States foot orthotics insoles market; and
- Clinician engagement strategies were refined with staff retention rates increasing to 85% (FY19: 83%). The Clinician Retention Program, being local clinic ownership, was further developed and expanded and saw a further 25 clinicians admitted to the program in FY20.

Financial Highlights

Healthia delivered strong financial results during the period with the key highlights being:

- Strong organic revenue growth of 5.3%[2];
- Underlying revenue growth over prior year of 40.3%;
- Underlying EBITDA[3] (removing the impact of AASB16) growth over prior year of 47.6%;
- Underlying NPATA[4] growth over prior year of 36.9%;
- Underlying EBITDA margin improvements over prior year of 70 bps;
- Underlying cash flow conversion of 113.8%[5]; and
- Underlying Basic EPS growth of 1.19 cents per share or 19.3% over prior year.

These strong financial results during the COVID-19 pandemic emphasise the robust, repeatable nature of the earnings of the allied health businesses that Healthia owns and operate.

Statutory Income and Net Profit After Tax (NPAT) attributable to the owners of Healthia Limited for the period was $96.4M and $2.7M respectively.

Underlying Revenue and Net Profit After Tax plus Amortisation (NPATA) for the period was $92.5M and $4.6M respectively. The underlying performance is provided on an unaudited basis and a reconciliation between statutory and underlying performance is provided further below in Table 5.

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[1] *Adjusted for the impacts of COVID-19 by excluding the months of April & May 2020. If included, the organic revenue growth for the Consolidated Entity for the year would have been 1.8%.*

[2] *Adjusted for the impacts of COVID-19 by excluding the months of April & May 2020. If included, the organic revenue growth for the Consolidated Entity for the year would have been 1.8%.*

[3] *EBITDA means earnings before interest tax depreciation and amortisation.*

[4] *NPATA means net profit after tax plus amortisation.*

[5] *Underlying cash flow conversion is calculated as Underlying operating cash-flows (pre-tax, ungeared) divided by underlying EBITDA. See Table 9 in the Review of Operations for further detail.*

Dividends

The interim dividend of 1 cent per share originally declared on 24 February 2020 was subsequently cancelled on 24 March 2020 to preserve cash reserves due to uncertainty at the time caused by the COVID-19 pandemic.

As at the date of signing the Annual Report, the Directors of Healthia Limited have recommended the payment of a fully franked dividend of 2.00 cents per share to the ordinary shareholders of Healthia Limited; representing approximately 27% of underlying NPATA for the period.

The final dividend declared is fully underwritten by a Dividend Reinvestment Plan (DRP) to preserve cash reserves.

Dates for the 2020 final dividend are as follows:
- Ex-dividend date of 8 September 2020;
- Record date of 9 September 2020; and
- Payment date of 28 September 2020.

Impact of COVID-19

Healthia is a provider of a number of essential community health care services and as such, the Directors made the decision to continue trading from all of its 152 allied health clinics when Australia's Prime Minister imposed several progressive restrictive lockdown measures in April 2020. During this period, minimal changes to the trading hours of Healthia's clinics were made.

The largest impact on trading was felt during the months of April 2020 and May 2020, which in turn, qualified Healthia for JobKeeper payments from April through September 2020.

The JobKeeper payments received have ensured the following:
- continuity of patient care was maintained for those who needed these essential health care services during this period of uncertainty;
- the essential health care services provided were available to the communities that Healthia operates in, allowing pressure to be taken off hospitals and other primary care and front-line health workers; and
- the livelihoods of Healthia's employees were not materially affected, with minimal changes to clinic rosters as a result of the COVID-19 pandemic.

Portfolio Acquisitive Growth

During the 2020 Financial Year, Healthia acquired 31 allied health businesses (18 Podiatry Clinics, 9 Physiotherapy Clinics and 4 Hand Therapy Clinics), deploying capital of $18.2M at an average EBITDA (removing the impact of AASB16) multiple of 4.32x.

Healthia will continue to acquire well-established allied health businesses and assess opportunities on a case by case basis with reference to its existing network of clinics, strategic objectives and disciplined acquisition criteria. As the allied health industries emerge from the COVID-19 pandemic, we expect increased acquisition enquiries as industry participants place greater value on the support and stability that a larger group such as Healthia can offer.

Healthia expects to deploy a minimum of $15.0 million of new capital in the 2021 Financial Year on new acquisitions. These acquisitions are expected to be funded from a combination of bank debt, free cash and clinic class shares. During the period, Healthia increased its finance facility limit from $37.0M to $50.0M with ANZ and BOQ (with a tenor extension to September 2022) providing significant headroom for future growth.

Outlook

Healthia owns and operates 23 podiatry clinics and 1 physiotherapy clinic in Victoria. At the date of reporting, these clinics remain fully operational as an essential health care service, however, they are experiencing some impact on their trading due to the Stage 4 lockdown restrictions imposed in Victoria. The geographical diversification of Healthia's portfolio (84% of Healthia's clinics are outside of Victoria) has meant that the group has seen immaterial impacts on its overall trading during July and August 2020. The Directors and management are confident of the continued robust trading conditions for Healthia's business due to the essential nature of the allied health services it provides.

With the return to pre-COVID levels of trading from June 2020 and the revised eligibility requirements for JobKeeper beyond September 2020, Healthia is not expecting to receive JobKeeper payments after this period.

As the world emerges from the COVID pandemic, Healthia will continue to focus on its 4-tiered strategy being:

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

Finally, I would like to take this chance to thank all the team members of Healthia for their continued dedication to each other, their patients, clinic, communities and Healthia during these challenging times. It has been a true team effort and this is reflected in the results presented within this financial report.

Dr Glen Richards

Chairperson

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 year ended 30 June 2020.

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

Dr Glen Richards
Paul Wilson
Lisa Dalton
Wesley Coote
Darren Stewart
Anthony Ganter

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

Review of operations
The profit for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $2,691,000 (30 June 2019: loss of $1,238,000).

1. Significant changes for the period ended 30 June 2020

Adoption of AASB 16
The Consolidated Entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss.

Novel Coronavirus (COVID-19)
The Novel Coronavirus ('COVID-19') has been declared a pandemic in March 2020 by the World Health Organisation ('WHO'). During the 2020 Financial Year there have been considerable economic impacts in Australia and globally arising from the outbreak of COVID-19 and Government actions to reduce the spread of the virus. The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian Government in early 2020 have caused disruption to business and economic activities.

Acquisitive Growth
During the 2020 Financial Year ('FY20'), the Consolidated Entity acquired 31 allied health businesses (18 Podiatry Clinics, 9 Physiotherapy Clinics and 4 Hand Therapy Clinics). This should be considered when interpreting the statutory financial results.

2. Financial Overview – Statutory Performance

The FY20 statutory performance compared to the prior period ended 30 June 2019 ('FY19') is as follows:

Table 1: FY20 statutory performance compared to FY19 statutory performance

	30/06/2020 $'000's	30/06/2019 $'000's	Change $'000's	Change %
Revenue & Other Income	96,366	65,929	30,437	46.2%
Net profit before income tax expense	7,253	983	6,270	637.8%
Net profit after income tax expense	5,148	(283)	5,431	n/a
Non-controlling interest (NCI)	2,457	955	1,502	157.3%
NPAT attributable to the owners of Healthia Limited	**2,691**	**(1,238)**	**3,929**	**n/a**
NPAT margin	2.79%	-1.88%	4.67%	467 bps
EPS (cents) [1]	4.27	(2.25)	6.52	n/a
NCI / NPAT	91.30%	-77.14%	168.44%	16,844 bps

1. EPS or earnings per share is calculated as NPAT attributable to the owners of Healthia Limited divided by the weighted average number of ordinary shares on issue for the period (FY20: 63,034,653, FY19: 54,991,800).

JobKeeper Revenue Subsidies

The Consolidated Entity is a provider of a number of essential community services. As such, the Directors made the decision to continue trading from all of its 152 allied health businesses, and to make minimal changes to the clinics trading hours.

In April 2020, Australia's Prime Minister imposed several progressive restrictive lockdown measures which saw an impact on the trading of the Consolidated Entity. The largest impact on trading was felt during the months of April 2020 and May 2020, before the Consolidated Entity returned to pre-COVID-19 trading levels.

The Australian Government announced the JobKeeper Payment scheme on 30 March 2020 which provided entities with a $1,500 a fortnight subsidy per qualifying employees if the entity had seen a reduction in trading revenue of more than 30%. The Commissioner of Taxation determined that entities that have "acquired or disposed of part of the business after the relevant comparison period" should use the Commissioner of Taxation's "Alternative Test" when assessing its eligibility for JobKeeper payments. Using the Alternative Test, the Consolidated Entity qualified for JobKeeper payments in April 2020. Once an entity had qualified for JobKeeper there is no requirement for it to retest until October 2020. As such, the Consolidated Entity has qualified for JobKeeper payments for the period April 2020 to September 2020.

The Consolidated Entity has recorded $7.92M of JobKeeper payments as Other Income in the current period to 30 June 2020. The Consolidated Entity expects to record a further $6.37M of JobKeeper payments for the period 1 July 2020 to 30 September 2020.

At the time of this report, the Directors do not believe the Consolidated Entity will qualify for JobKeeper when retesting is required in October 2020.

The JobKeeper payments received have ensured the following:

(1) continuity of patient care was maintained for those who needed these essential health care services;
(2) the essential health care services provided were available to the communities the Consolidated Entity operates in, allowing pressure to be taken off hospitals and other primary care and front-line health workers;
(3) the livelihoods of the Consolidated Entity's employees of the Consolidated Entity were not materially affected. The Directors are pleased that minimal changes to team members' rosters have been made during COVID-19; and
(4) the Consolidated Entity and its employees positively contributed back to the communities that they are part of.

Revenue and Other Income

The Consolidated Entity’s revenue and other income increased by $30.44M to $96.37M or 46.2%, in comparison to FY19 statutory revenue. This increase in revenue can be attributed to the following drivers:

- Acquisitions:
  The 31 acquired allied health businesses during the period;
- Timing of Initial Public Offering:
  The prior period excludes approximately 3 months of financial contribution from the businesses acquired at the time of Initial Public Offering (11 September 2018), specifically the 23 physiotherapy clinics, 16 podiatry clinics and 7 hand therapy clinics acquired at this time;
- Strong organic growth*:
  Organic growth of 5.3% comprising of 6.8% in physiotherapy and 4.5% in podiatry (excluding trading from April and May 2020 due to the impacts of COVID-19). Organic growth, including the COVID-19 impacted months of April and May 2020, was 1.8% (3.5% in physiotherapy and 0.8% in podiatry). The organic growth demonstrates the resilient, repeatable nature of the income of the Consolidated Entity and essential nature of allied health services provided; and
- JobKeeper subsidies:
  $7.92M of JobKeeper payments is recognised as Other Income in the current period.

* Organic revenue growth has been calculated by excluding any closed businesses, businesses not held during the prior period and JobKeeper related payments

Profit Attributable to Non-Controlling Interests

The Consolidated Entity's non-controlling interest in FY20 of $2.46M (FY19: $0.96M) represents growth over the prior period of $1.5M or 157.3%. The increase in non-controlling interest can be attributed to the following factors:

- JobKeeper subsidies:
  JobKeeper payments related to team members in each of the Consolidated Entity’s clinics and support office team. As such, JobKeeper payments are applied to the clinic in which the team member works. This has increased the non-controlling interest's share of profit for FY20. These payments are non-recurring and will cease once JobKeeper payments stop being received by the Consolidated Entity (expected to be 27 September 2020).
- Increase in clinic class shareholder ('CCS') ownership:
  CCS ownership has grown to a total of 2,505 Clinic Class Shares on issue for the period ended 30 June 2020, from 1,935 in FY19. All Clinic Class Shares were issued to clinicians as either part consideration of a newly acquired clinic and / or for consideration.

Statutory Margins

The Consolidated Entity’s Statutory FY20 NPAT margin of 2.79% represents an increase of 467 bps over the prior period.

Both periods have been affected by significant non-recurring costs incurred by the Consolidated Entity. In particular, acquisition and integration costs of $2.67M (FY19: $4.73M) were incurred during the period.

Depreciation

The Consolidated Entity’s depreciation expense was $9.10M (FY19: $1.55M), an increase of $7.6M over the prior period. Depreciation expense associated with the adoption of AASB16 in FY20 was $6.91M (FY19: $0.0M).

3. Financial Overview - Underlying Performance

To assist users, information about the underlying performance of the Consolidated Entity is presented, which excludes the impact of acquisition and integration costs, adjusted for the impacts of COVID-19 and other one-off income and expenses. The underlying performance is provided on an unaudited basis in Table 2 and a reconciliation between statutory and underlying performance is provided further below in Table 5.

The following table highlights the underlying performance of the Consolidated Entity:

Table 2: Underlying FY20 performance compared to Underlying FY19 performance

This table has not been audited	*30/06/2020 $'000's Underlying* [1]	*30/06/2019 $'000's Underlying* [1]	*Change $*	*Change %*
Underlying Revenue	92,493	65,929	26,564	40.3%
Underlying EBITDA [2,3] (removing impact of AASB16)	13,230	8,965	4,265	47.6%
Underlying net profit before income tax expense	9,239	6,196	3,043	49.1%
Underlying net profit after income tax expense	5,806	4,732	1,074	22.7%
Amortisation expense	661	395	266	67.3%
Underlying NPATA [4]	6,467	4,337	2,130	49.1%
Non-controlling interest (NCI)	2,041	955	1,086	113.7%
Net post-tax P&L impact of AASB16 adoption	203	n/a		
Underlying NPATA attributable to the owners of Healthia Limited (removing impact of AASB16) [5]	**4,629**	**3,382**	**1,247**	**36.9%**
Underlying EBITDA margin (removing impact of AASB16) [2,3]	14.30%	13.60%	0.70%	70 bps
Underlying NPATA margin (removing impact AASB16) [4]	5.00%	5.13%	-0.13%	-13 bps
Underlying Basic EPS (cents, removing impact AASB16) [6]	7.34	6.15	1.19	19.3%
NCI / Underlying NPATA	31.56%	22.02%	9.54%	954 bps

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 or reviewed.

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

3. FY20 Underlying EBITDA has been adjusted for the impacts of AASB16. Lease payments of $7.84m have been included to provide users with a like for like comparison to FY19.

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

5. The net P&L impact of the new leasing standard, AASB16, has been added back to NPATA to provide users with a like for like comparison to FY19.

6. Underlying EPS or earnings per share is calculated as NPATA attributable to the owners of Healthia Limited divided by the weighted average number of ordinary shares on issue for the period (FY20: 63,034,653, FY19: 54,991,800).

Underlying Revenue
The Consolidated Entity's revenue increased by $26.56M, or 40.3%, in comparison to the FY19 underlying revenue. This increase in revenue can be attributed to the following drivers:

- Acquisitions:
  The 31 acquired allied health businesses during the period;
- Timing of Initial Public Offering:
  The prior period excludes approximately 3 months of financial contribution from the businesses acquired at the time of Initial Public Offering (11 September 2018), specifically the 23 physiotherapy clinics, 16 podiatry clinics and 7 hand therapy clinics acquired at this time;
- Strong organic growth*:
  Organic growth of 5.3% comprising of 6.8% in physiotherapy and 4.5% in podiatry (excluding trading from April and May 2020 due to the impacts of COVID-19). Organic growth, including the COVID impacted months of April and May 2020, was 1.8% (3.5% in physiotherapy and 0.8% in podiatry). The organic growth demonstrates the resilient, repeatable nature of the income of the Consolidated Entity and the essential nature of allied health services; and
- JobKeeper payments:
  For the purposes of underlying results, the Consolidated Entity has applied $4.16M (of $7.92M total) of JobKeeper revenue subsidies. The inclusion of this income normalises the Consolidated Entity's revenue for the impacted of the COVID-19 pandemic during the period 1 March 2020 to 31 May 2020. This adjustment assumes the Consolidated Entity would have achieved the same organic growth experienced pre and post the COVID affected period.

*Organic revenue growth has been calculated by excluding any closed businesses, businesses not held during the prior period and JobKeeper related payments.

Underlying EBITDA

The Consolidated Entity's underlying FY20 EBITDA (excluding the impact of AASB 16) of $13.23M (FY19: $8.97M) represents growth over the prior period of $4.27M or 47.6%. The increase in underlying EBITDA is primarily driven by the following:

- Acquisitions:
  31 clinic acquisitions made during the financial year;
- Timing of Initial Public Offering:
  The prior period excludes approximately 3 months of financial contribution from the businesses acquired at the time of Initial Public Offering (11 September 2018), specifically the 23 physiotherapy clinics, 16 podiatry clinics and 7 hand therapy clinics acquired at this time;
- Strong organic growth:
  Organic revenue growth achieved by the Consolidated Entity;
- Margin improvement:
  Margin improvement achieved from improved cost controls by the Consolidated entity; and
- JobKeeper subsidies:
  The inclusion of JobKeeper revenue subsidies to normalise the Consolidated Entity's revenue for the impact of the COVID-19 pandemic during the period 1 March 2020 to 31 May 2020. This adjustment assumes the Consolidated Entity would have achieved the same organic growth experienced pre and post the COVID affected period.

Depreciation

The Consolidated Entity's depreciation expense was $9.10M (FY19: $1.55M), an increase of $7.6M over the prior period. Removing the periods depreciation expense of $6.91M associated with the adoption of AASB 16, the like-for-like depreciation expense was $2.19M (FY19: $1.55M). Table 3 below sets out the Depreciation Expense.

The ratio of pre-AASB 16 depreciation expense divided by revenue has increased from 2.35% in the prior period to 2.37% during the current period.

Table 3: Depreciation Expense

This table has not been audited	*30/06/2020*	*30/06/2019*	*Change*
	$'000's	*$'000's*	*$'000's*
Depreciation expense	(9,101)	(1,549)	(7,552)
Add-back AASB16 depreciation expense	6,910	n/a	6,910
Pre-AASB16 Depreciation expense	(2,191)	(1,549)	(642)
% Pre-AASB16 Depreciation / Total Revenue	2.37%	2.35%	2.00 bps

Underlying Non-Controlling Interest

The Consolidated Entity's non-controlling interest in FY20 EBITDA of $2.04M (FY19: $0.96M) represents growth over the prior period of $1.09M or 113.7%. The increase in non-controlling interest is primarily due to the the following:

- Increase in clinic class shareholder ownership:
  Increase in clinic class share ownership from newly acquired clinics settled by the Consolidated Entity during the period. CCS ownership has grown to a total of 2,505 Clinic Class Shares on issue for the period ended 30 June 2020 (FY19: 1,935). All Clinic Class Shares were issued to clinicians as either part consideration of a newly acquired clinic and / or for consideration;
- During the current period, Clinic Class Shares on issue increased to represent an economic interest of approximately 31.56% (FY19: 22.02%) in the underlying earnings of the Consolidated Entity (calculated as NCI / underlying NPATA detailed in Table 2).

Note that underlying non-controlling interest excludes distributions related to non-recurring JobKeeper payments, to the extent that they have not been included in the underlying results, which will cease once JobKeeper payments stop being received by the Consolidated Entity (expected to be 27 September 2020). The Consolidated Entity made a conscious decision to support its clinic partners and employees through the COVID-19 period and pass on JobKeeper payments to its minority equity partners. A reconciliation of Underlying Non-Controlling Interest to Statutory Non-Controlling Interest is detailed in Table 4 below.

Table 4: Underlying Profit attributable to Non-Controlling Interests

This table has not been audited	*30/06/2020*	*30/06/2019*
	$'000's	*$'000's*
Statutory non-controlling interest	2,457	955
Less: Non-recurring distributions of JobKeeper payments to Clinic Class Shareholders	416	-
Underlying non-controlling interest	2,041	955

Underlying Margins
The Consolidated Entity's Underlying EBITDA margin (removing the impact of AASB 16) increased by 70 bps from FY19 to 14.30% for the period ended 30 June 2020.

The Consolidated Entity's Underlying NPATA margin decreased by 13 bps from FY19 to 5.00% for the period ended 30 June 2020.

Underlying Earnings per Share
The Consolidated Entity's underlying basic earnings per share attributable to the owners of Healthia Limited increased by 1.19 cents per share or 19.3% to 7.34 cents per share (FY19: 6.15 cents per share).

4. Dividends

As at the date of signing the financial report, the Directors of Healthia Limited have recommended the payment of a final fully franked dividend of 2.0 cents per share to the ordinary shareholders of Healthia Limited, representing approximately 27% of underlying NPATA for the period.

A fully underwritten Dividend Reinvestment Plan (DRP) has been put in place for the final dividend to preserve cash reserves.

Dates for the 2020 final dividend are as follows:
- Ex-dividend date of 8 September 2020;
- Record date of 9 September 2020; and
- Payment date of 28 September 2020.

The interim dividend of 1 cent per share originally declared on 24 February 2020 was subsequently cancelled on 24 March 2020 to preserve cash reserves due to the uncertainty at the time caused by the COVID-19 pandemic.

5. Financial Overview – Reconciliation from Statutory to Underlying NPATA

A reconciliation of underlying NPATA and underlying EBITDA performance to statutory NPAT performance and statutory EBITDA is detailed below.

Table 5: Reconciliation of Underlying NPATA & EBITDA to Statutory NPAT & EBITDA

Note	This table has not been audited	30/06/2020 $'000's NPATA 1	30/06/2020 $'000's EBITDA 2
	Underlying NPATA attributable to the owners of Healthia Limited (removing the impact of AASB16) 1	**4,629**	
	Underlying EBITDA (removing the impact of AASB16) 2		**13,230**
3	Less: Acquisition & one-off costs	(2,666)	(2,666)
4	Less: COVID-19 related expenses	(1,920)	(1,920)
5	Less: NCI attributed to Jobkeeper	(416)	n/a
6	Less/Plus: Impact of AASB16	(290)	7,836
7	Less: Share-based payments expense and associated costs	(249)	(249)
8	Less: Bad debt expense	(160)	(160)
9	Less: Loss from insurance write-off	(88)	(88)
10	Less: Amortisation	(661)	n/a
11	Plus: Income from JobKeeper	3,758	3,758
	Plus: Net tax benefit	753	n/a
	Statutory NPAT attributable to the owners of Healthia Limited 1	**2,691**	
	Statutory EBITDA 2		**19,741**

(1) Underlying NPATA is a non-IFRS measure and equals net profit after income tax expense plus amortisation of customer list intangibles. 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 NPATA has not been audited;
(2) Underlying EBITDA is a non-IFRS measure and equals Earnings Before Interest, Tax, Depreciation and Amortisation;
(3) The Consolidated Entity incurred a number of one-off acquisition and integration costs in relation to the acquisition of the 31 allied health businesses acquired. Further detail is provided in Table 6;
(4) Non-recurring costs incurred during the COVID-19 pandemic, including JobKeeper top-ups and other payments to employees. Under JobKeeper, eligible employees who are ordinarily paid less than $1,500 per fortnight must be paid a 'top-up' to bring their taxable gross income to at least $1,500 per fortnight for pay days within the JobKeeper fortnights;
(5) Distribution to Non-Controlling Interests of JobKeeper payments which will cease once JobKeeper payments stop being received by the Consolidated Entity (expected to be 27 September 2020). The Consolidated Entity made a conscious decision to support its clinic partners and employees through the COVID-19 period and pass on JobKeeper payments to its minority equity partners;
(6) The adoption of AASB 16 'Leases' had a significant impact on the current period financial performance. This impact is comprised of the following changes due the adoption of AASB 16: occupancy costs decreased by $7.84M, depreciation expense increased by $6.91M, and finance costs increased by $1.22M;
(7) Share-based payments relate to the one-off grant of Performance Rights to key clinicians and administration staff, but excludes the costs associated with the executive performance rights (as these form part of the Consolidated Entity's ongoing remuneration structure). Further detail is provided in Table 7;
(8) Bad debt expense relates to the one-off impact of the COVID-19 on outstanding trade receivables (e.g. receivables from sporting clubs of $0.12M);
(9) The loss from insurance write-off relates to the impairment of an insurance claim receivable. Healthia's 4 physiotherapy clinics in Townsville were heavily impacted by the 2019 Townsville floods and compensation was previously expected to be received from the Consolidated Entity's insurer for this natural disaster event. The Consolidated Entity was unable to recover $0.088M of its losses from its insurer;
(10) Amortisation of customer lists and software intangibles during the current period; and
(11) Income from JobKeeper, which is not considered by the Consolidated Entity to represent its underlying financial performance. For the purposes of underlying results, the Consolidated Entity has included $4.16M (of $7.92M total) of JobKeeper income, which represents the normalised Consolidated Entity's revenue for the impact of the COVID-19 pandemic during the period 1 March 2020 to 31 May 2020.

Table 6: Actual FY20 Acquisition and Integration Costs (pre-tax)

This table has not been audited	*30/06/2020*
	$'000's
Acquisition advisory & transaction costs	1,590
One-off costs of integration	442
Stamp duty associated with acquisitions	382
Cost associated with merged / closed clinics	251
Total	2,665

Table 7: Share-based Payments Expense and Associated Costs (pre-tax)

This table has not been audited	*30/06/2020*
	$'000's
Performance rights expense - key management personnel	5
Performance rights expense - key clinicians & support staff	205
Compliance & advisory costs relating to performance rights	44
Total	254

6. Impact of AASB 16 on Financial Position

The adoption of AASB 16 had a significant impact on the Consolidated Entity's financial position for the period ended 30 June 2020, reducing net assets by $2.39M and reducing the Current Ratio from 1.0 to 0.7. This impact is comprised of the following changes due to the adoption of AASB 16:

- Right-of-use assets increased by $24.22M;
- Current lease liabilities increased by $6.59M; and
- Non-current lease liabilities increased by $20.01M.

A summary of the impact is displayed below as follows:

Table 8: Impact of AASB 16 adoption on the Consolidated Statement of Financial Position at 30 June 2020

This table has not been audited	***30/06/2020 Statutory $'000's***	***30/06/2020 Removing the impact of AASB16 $'000's***	***Change (impact of AASB16) $'000's***
Assets			
Current assets	15,225	15,225	-
Right-of-use assets	24,216	-	24,216
Deferred tax	2,874	2,874	-
Other non-current assets	86,970	86,970	-
Total assets	129,285	105,069	24,216
Liabilities			
Current lease liabilities	7,203	609	6,594
Other current liabilities	14,632	14,632	-
Non-current Lease liabilities	20,549	536	20,013
Other non-current liabilities	29,045	29,045	-
Total liabilities	71,429	44,822	26,607
Net assets	57,856	60,247	(2,391)
Current ratio [1]	0.7	1.0	(0.30)

1. Current ratio is calculated as Current Assets / Current Liabilities

Notwithstanding the impact of AASB 16 on the Current Ratio, the Directors are satisfied that the Consolidated Entity is forecast to generate sufficient operating cash flows to satisfy short-term leasing and other current liabilities.

7. Cash flow

The Consolidated Entity's underlying cash flow conversion for the financial year is detailed in Table 9 below.

Table 9: Underlying cash flow conversion for the period ended 30 June 2020

This table has not been audited	*30/06/2020*	*30/06/2019*
	$'000's	*$'000's*
Underlying EBITDA 1,2	13,230	8,965
Changes in working capital	(1,831)	1,500
Underlying Operating Cash Flows (pre-tax, ungeared) 3	15,061	7,465
Conversion (%)	113.8%	83.3%

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 or reviewed
2. Underlying EBITDA excludes the impact from the adoption of AASB16 on lease payments of $7.84M
3. Underlying operating cash flows (pre tax, ungeared) reflects statutory operating cash flows less lease payments of $7.84M and before finance costs and tax and excludes the impact non-recurring costs, such as acquisition and integration costs ($2.67M)

The Consolidated Entity produced strong underlying cash flow to underlying EBITDA (removing the impact of AASB 16) conversion of 113.8% during the period (FY19: 83.3%).

8. Capital Management

In February 2020, the Consolidated Entity signed formal documentation to increase its total syndicated finance facility from $37.0M to $50.0M with Australia and New Zealand Bank (ANZ) and the Bank of Queensland Limited (BOQ). The facility term was also extended to 30 September 2022.

The key financial covenants of the finance facility remain unchanged. They are as follows:
- Leverage Ratio: (Debt:Adjusted EBITDA) must remain below or equal to 2.50 times;
- Fixed Charge Cover Ratio: (Adjusted EBITDA + rent expense) / (interest + rent expense) must remain above or equal to 1.75 times; and
- Debt to Capitalisation Ratio: Debt / (Debt + Book Value of Equity) must remain below or equal to 50%.

Note that for the purposes of covenant testing, AASB 16 'Leases' does not apply and covenants are calculated as they were prior to the adoption of this new accounting standard by the Consolidated Entity.

The Consolidated Entity remains in compliance with covenants as at the date of reporting.

In February 2020, the Consolidated Entity also restructured its interest rate swap to take advantage of favourable market conditions. The previous $11.0M interest rate swap with a fixed rate of 2.15% expiring on 12 December 2020, was restructured via a 'blend and extend' transaction into a $20.0M interest rate swap with a fixed rate of 1.21% expiring on 30 September 2022 (representing a saving of 0.94%).

9. Business Overview

The Consolidated Entity owns and operates a portfolio of allied health businesses throughout Australia. The focus of the Consolidated Entity is to operate and expand a network of allied health businesses in Australia, with a current focus on the podiatry and physiotherapy industries. At the reporting date, the Consolidated Entity owned the following allied health businesses:
- 93 podiatry clinics;
- 43 physiotherapy clinics;
- 13 hand therapy clinics;
- 2 orthotics laboratories trading as iOrthotics; and
- 75% of a podiatry and foot care supplies and equipment wholesale business trading as D.B.S. Medical.

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

Table 10: Clinic Overview by Geography

	Podiatry Clinics	Physio-therapy Clinics	Hand Therapy Clinics	Other Businesses	FY20 Total	% FY20
Queensland	44	40	9	1	94	61.8%
New South Wales	9	2	4	1	16	10.5%
Victoria	23	1	-	-	24	15.8%
Tasmanian	2	-	-	-	2	1.3%
South Australia	8	-	-	-	8	5.3%
Western Australia	5	-	-	-	5	3.3%
Northern Territory	2	-	-	-	2	1.3%
United States of America	-	-	-	1	1	0.7%
FY20 - total clinics	93	43	13	3	152	100.0%

The Consolidated Entity's portfolio remains concentrated in Queensland (61.8% of the total portfolio), being the origins of the My FootDr (podiatry) and Allsports (physiotherapy) businesses.

Highlights

<u>*Acquisitive growth*</u>

- Acquired 31 allied health businesses (18 podiatry, 9 physiotherapy and 4 hand therapy) and deployed capital of $18.2M at an average EBITDA (removing the impact of AASB16) multiple of 4.32x. Acquisitions completed during the current financial period are set out in Table 11 below.

Table 11: Summary of Acquisitions between 1 July 2019 and 30 June 2020

This table has not been audited	Revenue	EBITDA	Consideration				Effective EBITDA Multiple
			Cash	Clinic Class Shares	Contingent Consideration	Total Consideration	
	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's	
Settled							
Podiatry	8,660	2,037	7,986	401	700	9,087	4.46
Physiotherapy	10,313	2,184	4,989	2,997	1,150	9,136	4.18
Total	13,835	4,221	12,975	3,398	1,850	18,223	4.32

<u>*Growth*</u>

- Robust organic growth of 5.3% achieved for the 2020 Financial Year, comprised of 6.8% in physiotherapy and 4.5% in podiatry (adjusted for the impacts of COVID-19 by excluding the months of April and May 2020);
- Increased finance facility limit from $37.0M to $50.0M with ANZ and BOQ, with a tenor extension to September 2022; and
- Customer led expansion of iOrthotics into North America with the launch of a 3D printed orthotics manufacturing laboratory in New York (58% equity ownership), which provides the opportunity to capture market share in the USD $1.3 billion United States foot orthotics insoles market.

<u>*Recruitment and retention*</u>

- Clinician staff retention rate of 85% (FY19: 83%);
- Total growth in clinicians of 99 physiotherapists and 23 podiatrists over the prior period;
- 45 new clinician graduates commenced during the period, comprising of 26 physiotherapy graduates, 16 podiatry graduates, 2 occupational therapy graduates and 1 exercise physiologist graduate;
- Clinic Class Share ownership grew to a total of 2,505 Clinic Class Shares on issue for the period ended 30 June 2020, from 1,935 in FY19. The corresponding number of CCS owners also increased from 63 to 88; and
- Career pathways for clinicians have been mapped to provide all staff with improved long-term career progression, including a clear pathway to clinic ownership. This includes structured education relating to clinical and business leadership.

Education and development

- Continued improvement and evolution of Healthia's industry leading education platform;
- The Clinic Leadership Program has been developed to provide clinicians with the skills they need to provide exceptional health care to their patients. This program first commenced in January 2020 with 33 clinicians;
- The Business Leadership Program has been developed to provide the future leaders and aspiring clinic owners with the skills required to manage and run a successful clinic. This program first commenced in February 2020 with 34 clinicians;
- The Consolidated Entity held its inaugural, industry leading education conference in October 2019. 437 of the groups clinicians and support team members attended this event, which boasted industry and world leading speakers on a range of clinical and business topics; and
- All 45 new clinicial graduates attended the graduate induction and training program held in February 2020.

Operational efficiency

- In February 2020, project approval was received by iOrthotics for a research and development grant of $0.45M from the Australian Government's Advanced Manufacturing Growth Centre. The grant will fund continued collaboration with the University of Queensland to test new 3D printable materials for use in the production of foot orthotics;
- Implementation of a new, cloud-based payroll system, allowing for significant improvements in processing time; and
- Centralisation of support services, including information technology integration, for all newly acquired clinics.

10. Outlook

COVID-19 impact and JobKeeper subsidies

The Consolidated Entity is expected to continue receiving JobKeeper payments until September 2020. With the return to pre-COVID levels of trading from June 2020 and the revised eligibility requirements for JobKeeper beyond September 2020, the Consolidated Entity is not expecting to receive JobKeeper payments after this period.

The Consolidated Entity owns and operates 23 podiatry clinics and 1 physiotherapy clinic in Victoria. At the date of reporting, these clinics remain fully operational as essential health care services. These clinics are experiencing some impact on their trading due to the Stage 4 lockdown restrictions imposed in Victoria. However, with JobKeeper payments being received until the end of September 2020 and the geographical diversification of Healthia's portfolio (84% of Healthia's clinics are outside of Victoria), the Consolidated Entity is confident of continued robust trading conditions for the business in aggregate.

The Consolidated Entity continues to take preventative measures against the spread of COVID-19 and has implemented comprehensive internal policies and procedures to protect its patients and team members against the spread of COVID-19, including a range of workplace preventative health and safety measures. Providing a safe environment for our patients and team members is a priority, and the Consolidated Entity is following the recommendations of the Australian Government.

Future accretive acquisitions

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

As the allied health industries emerge from the COVID-19 pandemic, we expect increased acquisition enquiries as industry participants place greater value on the support and stability that a larger group such as Healthia can offer.

The Consolidated Entity has entered into agreements to acquire 3 additional physiotherapy clinics in Queensland and 1 additional podiatry clinic in South Australia, with customary conditions precedent including due diligence and assignment of property leases. Consideration for the acquisitions is $5.05M including $4.01M in cash consideration and $1.04M in clinic class share consideration. These clinics are expected to contribute Revenue and EBITDA (less lease payments or pre-AASB 16 change) of $5.58M and $1.16M respectively on a pro-forma basis.

The Consolidated Entity expects to deploy $15M of capital for the acquisition of new allied health businesses over the next 12 months.

Funding
The Consolidated Entity expects to use a combination of the following to fund acquisitions:
- Undrawn debt amount: headroom of $23.3M in the syndicated finance facility with ANZ and BOQ;
- Future operating cash flow: underlying operating cash flows of $15.06M were generated during the financial year; and
- Clinic Class Shares: non-voting shares, which provide the holder with an economic interest in the performance of the Clinic they work in and assist with the retention of key clinicians.

At the date of reporting, the Consolidated Entity has cash reserves of $4.2M, undrawn senior debt facility of $23.3M and an undrawn overdraft facility of $1.0M.

Significant changes in the state of affairs

Acquisition of Physiotherapy and Hand Therapy Clinics
The Consolidated Entity acquired an additional 9 physiotherapy and 4 hand therapy clinics since 30 June 2019. Initial consideration paid for the acquisitions was $7.99M including $4.99M in cash consideration, $3.00M in clinic class share consideration, with up to an additional $1.15M payable in contingent consideration.

These clinics are expected to contribute Revenue and EBITDA (less lease payments or pre-AASB 16 change) of $10.31M and $2.18M respectively on a pro-forma basis.

Acquisition of Podiatry Clinics
The Consolidated Entity acquired an additional 18 podiatry clinics since 30 June 2019. Initial consideration paid for the acquisitions was $8.39M including $7.99M in cash consideration, $0.40M in clinic class share consideration, with up to an additional $0.70M payable in contingent consideration.

These clinics are expected to contribute Revenue and EBITDA (less lease payments or pre-AASB 16 change) of $8.66M and $2.04M respectively on a pro-forma basis.

Performance rights
On 27 November 2019, 2,102,500 unlisted performance rights were granted to employees and 575,858 unlisted performance rights were granted to key management personnel with a nil grant and exercise price. The performance rights will vest on 31 August 2022 (subject to satisfaction of the relevant vesting conditions) and expire on 31 October 2022. The vesting conditions include a number of performance and service conditions.

Novel Coronavirus (COVID-19)
The Novel Coronavirus ('COVID-19') was declared a pandemic in March 2020 by the World Health Organisation ('WHO'). During the financial year there have been considerable economic impacts in Australia and globally arising from the outbreak of COVID-19 and Government action to reduce the spread of the virus. The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments, as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 have caused disruption to business and economic activities.

Cancellation of dividend
The interim dividend of 1 cent per share originally declared on 24 February 2020 was subsequently cancelled on 24 March 2020 to preserve cash reserves for working capital and acquisitions in light of COVID-19 developments.

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

Matters subsequent to the end of the financial year
The Consolidated Entity has entered into agreements to acquire 3 additional physiotherapy clinics in Queensland and 1 additional podiatry clinic in South Australia, with customary conditions precedent including due diligence and assignment of property leases. Consideration for the acquisitions is $5.05M including $4.01M in cash consideration and $1.04M in clinic class share consideration.

These clinics are expected to contribute Revenue and EBITDA (less lease payments or pre-AASB 16 change) of $5.58M and $1.16M respectively on a pro-forma basis.

As at the date of signing the financial report, the Directors of Healthia Limited have recommended the payment of a final fully franked dividend of 2.00 cent per share to the ordinary shareholders of Healthia Limited. A fully underwritten Dividend Reinvestment Plan (DRP) has been put in place for the final dividend to preserve cash reserves.

The Consolidated Entity owns and operates 23 podiatry clinics and 1 physiotherapy clinic in Victoria. At the date of reporting, these clinics remain operational as an essential health care service. These clinics are experiencing some impact on their trading due to the Stage 4 lockdown restrictions imposed in Victoria. However, with JobKeeper payments being received until the end of September 2020 and the geographical diversification of Healthia's portfolio (84% of Healthia's clinics are outside of Victoria), the Consolidated Entity is confident of continued robust trading conditions for the business in aggregate.

Likely developments and expected results of operations

The Consolidated Entity will continue to focus on delivering growth via its four-tiered growth strategy:
(1) patient focused outcomes;
(2) organic growth;
(3) future accretive acquisitions; and
(4) vertically integrated businesses units.

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

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

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

Environmental regulation

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

Information on Directors

Name:	Dr Glen Frank Richards (appointed 10 May 2018)
Title:	Chairman and Non-Executive Director
Experience and expertise:	Glen is a veterinary surgeon and the founder and former CEO of Greencross Limited, Australia's largest pet care company. Glen has spent over 20 years building a multi-million-dollar integrated pet care empire, which now operates more than 180 veterinary hospitals and 230 pet care retail stores in Australia and Animates in New Zealand.
Other current directorships:	Chairman and Non-Executive Director of People Infrastructure Ltd (ASX code: PPE).
Former directorships (last 3 years):	Non-Executive Director of Regeneus Ltd (ASX code: RGS) (24 February 2015 to 3 June 2020) Non-Executive Director of Greencross Ltd (ASX code: GXL) (26 April 2007 to 27 February 2019) Non-Executive Director of 1300 Smiles Ltd (ASX code: ONT) (1 May 2015 to 23 November 2017)
Special responsibilities:	Member of the Audit and Risk Committee and the Remuneration and Nomination Committee.
Interests in shares:	4,995,329 ordinary shares held at 30 June 2020
Interests in rights:	None

Name:	Paul David Wilson (appointed 10 May 2018)
Title:	Independent Non-Executive Director
Experience and expertise:	Paul was a co-founder, director and shareholder of Mammoth Pet Holdings Pty Ltd (Pet Barn) prior to the merger with Greencross Limited. Prior to founding Mammoth, Paul was the Chief Operating Officer of ShopFast, Australia's largest online grocery retailer (sold to Coles in 2003). Paul has worked in the retail industry for 26 years with roles including General Manager of Caltex/Boral JV, Vitalgas.
Other current directorships:	None
Former directorships (last 3 years):	Non-executive director of Greencross Ltd (ASX code: GXL) (5 February 2014 to 27 February 2019)
Special responsibilities:	Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.
Interests in shares:	374,104 ordinary shares held at 30 June 2020
Interests in rights:	None

Name:	Lisa Jane Dalton (appointed 10 May 2018)
Title:	Independent Non-Executive Director
Experience and expertise:	Lisa is an experienced director, senior executive and company secretary with expertise in the healthcare, medical, utilities, manufacturing, childcare, energy, mining and construction sectors. She has experience in leading teams responsible for strategy, governance, risk management, human resources, communication, stakeholder relations and program management. Lisa has participated in 4 successful ASX listings in the past 5 years. Lisa has strong practical experience in fit for purpose governance, risk management, strategic planning and motivating teams to find solutions to complex issues.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.
Interests in shares:	22,500 ordinary shares held at 30 June 2020
Interests in rights:	None

Name:	Darren Lindsey Stewart (appointed 10 May 2018)
Title:	Executive Director
Experience and expertise:	Darren is a registered podiatrist and in 2004 co-founded the My FootDr Business with Greg Dower. The two had grown the group to 13 clinics by December 2015. In 2015, Darren and Greg saw the opportunity to grow their network of clinics through the acquisition of well-established podiatry clinics. Before merging with Balance Podiatry Group in December 2016, they had grown the network to 19 clinics. Today, Darren provides strategic leadership and direction to the My FootDr Business.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	4,457,664 ordinary shares held at 30 June 2020
Interests in rights:	None

Name:	Anthony (Tony) Peter Ganter (appointed 10 May 2018)
Title:	Director and Chief Operating Officer
Experience and expertise:	Tony has over 25 years' experience in the management and operation of private physiotherapy and sports medicine clinics and high performance medical teams in professional sport. He possesses knowledge of the professional, administrative and management skills required to operate physiotherapy and sports medicine centres. Tony remains active as a treating physiotherapist which enables him to keep in touch with the challenges of both professional health care and clinic ownership. He has a strong commitment to the ongoing creation of varied career journeys for physiotherapists.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	1,108,007 ordinary shares held at 30 June 2020
Interests in rights:	128,115 performance rights held at 30 June 2020

Name:	Wesley Coote (appointed 29 April 2019)
Title:	Group Managing Director and Chief Executive Officer
Experience and expertise:	Wesley is the former Chief Financial Officer and Company Secretary of Greencross Ltd. Prior to Greencross, Wesley worked in Chartered Accounting where he provided businesses advice within the health sector, property sector and financial services industry. Wesley holds a Bachelor of Commerce from the University of Queensland and is a member of the Institute of Chartered Accountants, as well as a member of the Governance Institute of Australia. Wesley joined the Group in December 2015 as Chief Financial Officer and Company Secretary and was appointed Group Managing Director and Chief Executive Officer on 29 April 2019.
Other current directorships:	None
Former directorships (last 3 years):	Non-executive director of National Veterinary Care Ltd (ASX code: NVL) (18 August 2015 to 1 March 2017)
Interests in shares:	1,557,764 ordinary shares held at 30 June 2020
Interests in rights:	172,463 performance rights held at 30 June 2020

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

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

Company secretary
Christopher Banks - Chris is the Chief Financial Officer and Company Secretary. Chris joined the Healthia Group (previously My FootDr) in July 2017 as Chief Commercial Officer and was appointed Chief Financial Officer and Company Secretary on 29 April 2019.

Meetings of Directors
The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Dr Glen Richards	11	11	1	1	2	2
Paul David Wilson	11	11	1	1	2	2
Lisa Jane Dalton	11	11	1	1	2	2
Wesley Coote	11	11	-	-	-	-
Darren Lindsay Stewart	11	11	-	-	-	-
Anthony Peter Ganter	11	11	-	-	-	-

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

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

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

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

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

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

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

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

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

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

Non-Executive Directors remuneration

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

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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

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

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

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

Use of remuneration consultants
During the financial year ended 30 June 2020, the Consolidated Entity did not engage a remuneration consultant to review its existing remuneration policies.

Details of remuneration

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

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

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2020	Cash salary and fees $	Cash bonus** $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Glen Richards *	77,646	-	-	-	-	-	77,646
Paul Wilson *	47,500	-	-	-	-	-	47,500
Lisa Dalton *	47,500	-	-	-	-	-	47,500
Executive Directors:							
Wesley Coote	224,992	56,250	-	26,327	4,106	1,555	313,230
Darren Stewart	173,078	-	-	16,832	3,285	-	193,195
Anthony Ganter	176,610	45,000	-	21,539	3,285	1,155	247,589
Other Key Management Personnel:							
Christopher Banks	155,847	40,000	-	18,934	2,920	790	218,491
Lisa Roach	155,971	40,000	-	19,049	2,920	981	218,921
Dean Hartley	160,032	40,000	-	19,049	2,920	711	222,712
	1,219,176	221,250	-	121,730	19,436	5,192	1,586,784

* The Non-Executive Director's fees to be paid in the financial year ended 30 June 2020 were set as $100,000 per annum (increased from $60,000 per annum effective 1 January 2020) for the Chair and $60,000 per annum (increased from $40,000 per annum effective 1 January 2020) for the other Non-Executive Directors. Directors may also be reimbursed for all travel and other expenses they incur in connection with the company's business. Directors decreased their fees by 25% during the quarter ended 30 June 2020 in response to COVID-19 developments.

** Cash bonuses remain subject to strong trading performance to 30 September 2020 and Board approval at that time.

The proportion of remuneration disclosed above that is performance-based for all Directors and other key management personnel is $221,250 or 13.9% of total remuneration for the current period.

Cash bonuses of $221,250 have been accrued at 30 June 2020 in respect of key management personnel, however, not yet paid. These cash bonuses are Short Term Incentives or STIs.

Details of incentives (LTIs) are disclosed in the Additional Information section.

No LTIs have vested in the year.

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

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

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

The proportion of remuneration disclosed above that is performance-based for all Directors and other key management personnel is 0%.

No cash bonuses have been paid to any key management personnel in the year.

Details of incentives (STIs and LTIs) are disclosed in the Additional Information section.

No STIs or LTIs have vested in the year.

Share-based compensation

Issue of shares

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

Unlisted performance rights
On 27 November 2019, the Consolidated Entity issued 575,858 performance rights to key management personnel. Details of the performance rights are as follows:

Grant date:	27 November 2019
Grant price:	$nil
Exercise price:	$nil
Vesting date:	31 August 2022
Expiry date:	31 October 2022
Restriction on shares issued on exercise:	Can only be traded in accordance with Securities Trading Policy and insider trading laws

The fair value of performance rights (equity settled) with the relative TSR condition is calculated at the date of grant using the Monte-Carlo simulation model, taking into account the impact of the TSR condition and dividends during the vesting period. The value disclosed is the portion of fair value of the rights recognised in each reporting period.

Vesting conditions for key management personnel

Service condition	The performance rights will be exercisable upon satisfaction of the Service condition, being continuous employment with the Company from Grant Date until the Vesting Date.
EPS Growth condition	The Consolidated Entity's compounding annual growth in underlying earnings per share (underlying EPS) for the period from quotation of the Consolidated Entity's shares on ASX to 30 June 2022 is greater than 10% per annum. The underlying EPS results to be used will be Basic EPS recorded in the Consolidated Entity's audited financial statements in the relevant years, adjusted for one-off and non-recurring items and the amortisation of customer lists, as determined by the Board at its discretion. 50% of the performance rights will be exercisable if this condition is met.
Total Shareholder Return condition	Total Shareholder Return ('TSR') to exceed 150% for the period from quotation of the Consolidated Entity's shares on the ASX to 30 June 2022, with TSR calculated as follows: TSR = (Price End - Price Begin + Dividends)/Price Begin Where: Price Begin = share price at quotation of the Consolidated Entity's shares on ASX; Price End = share price at 30 June 2022; and Dividends = total dividends paid per share during the period from listing to 30 June 2022. 50% of the performance rights will be exercisable if this condition is achieved.

The performance rights do not rank equally with existing ordinary shares quoted. Prior to vesting, the performance rights do not carry a right to vote or receive dividends.

Where shares are issued upon the vesting and exercise of the performance rights (within the periods detailed above), those shares will rank equally with existing ordinary shares of Healthia Limited.

To participate in a dividend, the ordinary shares must be issued prior to the record date for the dividend.

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Fair value per right at grant date
Wesley Coote	172,463	27 November 2019	31 August 2022	31 October 2022	$0.090
Anthony Ganter	128,115	27 November 2019	31 August 2022	31 October 2022	$0.090
Chris Banks	87,600	27 November 2019	31 August 2022	31 October 2022	$0.090
Lisa Roach	108,840	27 November 2019	31 August 2022	31 October 2022	$0.090
Dean Hartley	78,840	27 November 2019	31 August 2022	31 October 2022	$0.090

Performance rights granted carry no dividend or voting rights.

Additional information

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

Short-Term Incentive

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

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

Key management personal employed under these agreements include:

- Wesley Coote - Group Managing Director and Chief Executive Officer
- Anthony Ganter - Director and Chief Operating Officer
- Darren Stewart - Executive Director
- Christopher Banks - Chief Financial Officer and Company Secretary
- Lisa Roach - General Manager of Physiotherapy
- Dean Hartley - Chief Technology Officer

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Glen Richards	4,995,329	-	-	-	4,995,329
Paul Wilson	324,104	-	50,000	-	374,104
Lisa Dalton	-	-	22,500	-	22,500
Wesley Coote	1,557,764	-	-	-	1,557,764
Darren Stewart	4,457,664	-	-	-	4,457,664
Anthony Ganter	1,108,007	-	-	-	1,108,007
Chris Banks	266,070	-	74,228	-	340,298
Lisa Roach	630,548	-	-	-	630,548
Dean Hartley	3,787,676	-	-	-	3,787,676
	17,127,162	-	146,728	-	17,273,890

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

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Glen Richards	-	-	-	-	-
Paul Wilson	-	-	-	-	-
Lisa Dalton	-	-	-	-	-
Wesley Coote	-	172,463	-	-	172,463
Darren Stewart	-	-	-	-	-
Anthony Ganter	-	128,115	-	-	128,115
Chris Banks	-	87,600	-	-	87,600
Lisa Roach	-	108,840	-	-	108,840
Dean Hartley	-	78,840	-	-	78,840
	-	575,858	-	-	575,858

Loans to key management personnel and their related parties
There were no loans issued to, or repaid by, key management personnel during the financial year.

A reconciliation of key management personnel loans are as follows:

	Balance at the start of the year $	Loans issued $	Loans repaid $	Balance at the end of the year $
Chris Banks	200,000	-	-	200,000

Other transactions with key management personnel and their related parties
The following transactions occurred with related parties:

	Consolidated 2020 $
Rent and outgoings paid to entities controlled by Director Darren Stewart	333,683
Rent and outgoings paid to entities controlled by Director Anthony Ganter	174,213
Rent and outgoings paid to entities controlled by key management personnel Dean Hartley	160,771
Rent and outgoings paid to entities controlled by key management personnel Lisa Roach	170,461
Payment for services (outsourced accounts payable processing) to an entity associated with key management personnel and Director Wesley Coote	232,821

This concludes the remuneration report, which has been audited.

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

Shares under performance rights
Unissued ordinary shares of Healthia Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Number under rights
27 November 2019	31 October 2022	2,678,358

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of Healthia Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Shares issued on the exercise of performance rights
There were no ordinary shares of Healthia Limited issued on the exercise of performance rights during the year ended 30 June 2020 and up to the date of this report.

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

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

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

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 33 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the Consolidated Entity who are former partners of BDO Audit Pty Ltd

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

Rounding of amounts

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

Auditor's independence declaration

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

Auditor

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

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

On behalf of the Directors

Glen Frank Richards
Director

26 August 2020

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DECLARATION OF INDEPENDENCE BY CAMERON HENRY TO THE DIRECTORS OF HEALTHIA LIMITED

As lead auditor of Healthia Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

Cameron Henry
Director

BDO Audit Pty Ltd

Brisbane, 26 August 2020

General information

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

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

Level 4, East Tower
25 Montpelier Road
Bowen Hills QLD 4006

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26 August 2020.

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Revenue from contracts with customers	4	87,225	65,084
Other income	5	9,141	845
Expenses			
Changes in inventories		258	1,111
Raw materials and consumables used		(7,106)	(6,408)
Employee benefits expense		(57,450)	(38,943)
Occupancy costs		(2,267)	(7,853)
Marketing costs		(1,248)	(814)
Other expenses		(4,841)	(3,271)
Education and training		(657)	(485)
Impairment of receivables		(308)	-
Acquisition and integration costs		(2,665)	(4,733)
Insurance write-off		(88)	-
Share-based payments expense and associated costs		(254)	(275)
Depreciation expense	6	(9,101)	(1,549)
Amortisation expense	6	(661)	(395)
Finance costs	6	(2,725)	(1,331)
Profit before income tax expense		7,253	983
Income tax expense	7	(2,105)	(1,266)
Profit/(loss) after income tax expense for the year		5,148	(283)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		5,148	(283)
Profit/(loss) for the year is attributable to:			
Non-controlling interest		2,457	955
Owners of Healthia Limited		2,691	(1,238)
		5,148	(283)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		2,457	955
Owners of Healthia Limited		2,691	(1,238)
		5,148	(283)
		Cents	Cents
Basic earnings per share	43	4.27	(2.25)
Diluted earnings per share	43	4.10	(2.25)

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

Healthia Limited and its Controlled Entities
Consolidated statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Assets			
Current assets			
Cash and cash equivalents	8	4,159	2,610
Trade and other receivables	9	6,398	3,396
Inventories	10	3,736	3,478
Other current assets	11	932	1,218
Total current assets		15,225	10,702
Non-current assets			
Investments accounted for using the equity method	12	19	10
Property, plant and equipment	13	7,676	7,643
Right-of-use assets	14	24,216	-
Intangibles	15	79,275	62,221
Deferred tax	7	2,874	2,074
Total non-current assets		114,060	71,948
Total assets		129,285	82,650
Liabilities			
Current liabilities			
Trade and other payables	16	5,728	3,397
Borrowings	17	-	72
Lease liabilities	18	7,203	412
Income tax	7	2,808	1,051
Employee benefits	19	3,970	2,718
Provisions		281	162
Other current liabilities	20	1,845	1,715
Total current liabilities		21,835	9,527
Non-current liabilities			
Borrowings	21	26,735	19,606
Lease liabilities	22	20,549	433
Derivative financial instruments	23	224	92
Employee benefits	24	332	260
Provisions	25	754	728
Other non-current liabilities	26	1,000	878
Total non-current liabilities		49,594	21,997
Total liabilities		71,429	31,524
Net assets		57,856	51,126
Equity			
Issued capital	27	49,884	49,884
Reserves	28	(4,190)	(4,395)
Accumulated losses		(1,793)	(3,240)
Equity attributable to the owners of Healthia Limited		43,901	42,249
Non-controlling interest	29	13,955	8,877
Total equity		57,856	51,126

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

Healthia Limited and its Controlled Entities
Consolidated statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018	13,406	(696)	(2,002)	378	11,086
Profit/(loss) after income tax expense for the year	-	-	(1,238)	955	(283)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(1,238)	955	(283)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 27)	27,797	-	-	-	27,797
Issue of ordinary shares as consideration for business combinations, net of transaction costs (note 27)	6,162	-	-	-	6,162
Issue of ordinary shares as consideration for acquisition of non-controlling interest, net of transaction costs (note 27)	294	-	-	-	294
Conversion from clinic class shares to ordinary shares (note 27)	2,225	-	-	(2,225)	-
Reclassification of existing clinic class shares from debt to equity	-	-	-	3,968	3,968
Contributions of clinic class shares	-	-	-	1,911	1,911
Issue of clinic class shares as consideration for business combinations (note 38)	-	-	-	4,786	4,786
Transactions with non-controlling interests (note 28)	-	(1,480)	-	(204)	(1,684)
Share based payments (note 45)	-	275	-	-	275
Pre-IPO distributions	-	(2,494)	-	-	(2,494)
Dividends paid	-	-	-	(692)	(692)
Balance at 30 June 2019	49,884	(4,395)	(3,240)	8,877	51,126

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

Healthia Limited and its Controlled Entities
Consolidated statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019	49,884	(4,395)	(3,240)	8,877	51,126
Adjustment for change in accounting policy (note 1)	-	-	(1,244)	-	(1,244)
Balance at 1 July 2019 - restated	49,884	(4,395)	(4,484)	8,877	49,882
Profit after income tax expense for the year	-	-	2,691	2,457	5,148
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	2,691	2,457	5,148
Transactions with owners in their capacity as owners:					
Issue of performance rights	-	205	-	-	205
Issue of ordinary shares in iOrthotics USA LLC	-	-	-	103	103
Contributions of clinic class shares	-	-	-	1,311	1,311
Issue of clinic class shares as consideration for business combinations (note 38)	-	-	-	3,398	3,398
Buy-back of clinic class shares	-	-	-	(567)	(567)
Distributions paid to non-controlling interest	-	-	-	(1,624)	(1,624)
Balance at 30 June 2020	49,884	(4,190)	(1,793)	13,955	57,856

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

Healthia Limited and its Controlled Entities
Consolidated statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		88,261	66,616
Payments to suppliers (inclusive of GST)		(72,441)	(66,318)
		15,820	298
Interest received		-	1
Government grants (Covid-19)		4,737	-
Interest and other finance costs paid		(2,725)	(1,331)
Income taxes paid		(499)	(644)
Net cash from/(used in) operating activities	41	17,333	(1,676)
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	38	(12,974)	(23,332)
Payment for purchase of non-controlling interest, net of cash acquired		-	(1,094)
Payments of contingent business purchases consideration		(550)	(10)
Payments for property, plant and equipment	13	(1,389)	(2,741)
Payments for intangibles		-	(15)
Proceeds from disposal of property, plant and equipment		-	7
Net cash used in investing activities		(14,913)	(27,185)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	27	-	28,817
Share issue transaction costs		-	(1,747)
Proceeds from issue of ordinary shares in iOrthotics USA LLC		103	-
Proceeds from issue of clinic class shares		1,311	1,911
Buy-back of clinic class shares		(567)	-
Proceeds from borrowings	42	7,130	19,948
Repayment of borrowings		-	(14,510)
Repayment of lease liabilities	42	(7,152)	-
Pre-IPO distributions		-	(2,494)
Dividends paid to non-controlling interest		(1,624)	(692)
Net cash from/(used in) financing activities		(799)	31,233
Net increase in cash and cash equivalents		1,621	2,372
Cash and cash equivalents at the beginning of the financial year		2,538	166
Cash and cash equivalents at the end of the financial year	8	4,159	2,538

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

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

AASB 2020-4 Amendment to Australian Accounting Standards - COVID-19-Related Rent Concessions
The Consolidated Entity has early adopted the amendment to AASB 16 from 1 July 2019. The amendment provides a practical expedient for lessees to account for COVID-19-related rent concessions that: result in lease payments that are substantially the same as, or less than, the consideration for the lease immediately prior to the change; where any reduction in the lease payments affects only payments originally due on or before 30 June 2021; and where there is no substantive change to other terms and conditions of the lease. The practical expedient allows an entity not to assess rent concessions meeting the criteria as a lease modification. As a result, to the extent that lease concessions represent a forgiveness or waiver of lease payments, such concessions are treated as variable lease payments recognised in the profit or loss with a corresponding adjustment to the lease liability. To the extent that the lease concession in substance represents a delay in lease repayments such that lease consideration is not changed, the lease liability is not extinguished. Interest continues to accrue for that period. The Consolidated Entity has applied the practical expedient to all rent concessions that meet the abovementioned criteria and and the profit or loss impact from the adoption of this amendment is detailed in note 5.

AASB 16 Leases
The Consolidated Entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the rental expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

In applying AASB 16 for the first time, the Consolidated Entity has used the following practical expedients permitted by the standard:
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The exclusion of initial direct costs from the measurement of right-of-use assets at the date of initial application; and
- No requirement to recognise leases when the term ends within 12 months of the date of initial application.

For those leases previously classified as finance leases, the lease liability and right-of-use asset are measured on 1 July 2019 at the same amounts as under AASB 117 on 30 June 2019.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach as permitted by AASB 16 C8(b)(i), where the right-of-use asset is measured at its carrying amount as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application, and as such, the comparatives have not been restated.

Note 1. Significant accounting policies (continued)

The following is a reconciliation of the financial statement line items from AASB 117 to AASB 16 at 1 July 2019.

	Carrying amount as 30 June 2019 $'000	Reclassifi-cation $'000	Change on adoption of AASB 16 $'000	AASB 16 carrying amount at 1 July 2019 $'000
Right-of-use assets	-	-	21,760	21,760
Lease liabilities	(845)	-	(24,688)	(25,533)
Lease incentive liabilities	(1,009)	-	1,009	-
Deferred tax asset	2,074	-	675	2,749
Accumulated losses	(3,240)	-	(1,244)	(4,484)

The following is a reconciliation of total operating and finance lease commitments at 30 June 2019 (as disclosed in the financial statements at 30 June 2019) to the lease liabilities recognised at 1 July 2019:

	1 July 2019 $'000
Operating lease commitments as at 1 July 2019 (AASB 117)	18,958
Finance lease commitments as at 1 July 2019 (AASB 117)	845
Adjustment to operating lease commitments at 1 July 2019	8,852
Operating lease commitments discount based on the weighted average incremental borrowing rate of 5.0% (AASB 16)	(3,122)
Total lease liabilities recognised under AASB 16 on 1 July 2019	25,533

The lease liabilities recognised at 1 July 2019 are as follows:

	1 July 2019 $'000
Current lease liabilities	6,787
Non-current lease liabilities	18,746
Total lease liabilities	25,533

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 $6,610,000 as at 30 June 2020. The reason for the working capital deficiency at 30 June 2020 is due to the impact of AASB 16 being adopted. Healthia has recognised a current liability of $7,203,000 which is predominately related to property leases.

Notwithstanding 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 pay short-term leasing and other liabilities.

Basis of preparation

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

Note 1. Significant accounting policies (continued)

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

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

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity, Healthia Limited, is disclosed in note 37.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Healthia Limited ('Company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Healthia Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

Associates
Associates are entities over which the Consolidated Entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Consolidated Entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

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

Impairment of financial assets
The Consolidated Entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Consolidated Entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2020. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Consolidated Entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Consolidated Entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Consolidated Entity's financial statements.

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.

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

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Consolidated Entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

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

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

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

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

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Consolidated Entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Consolidated Entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Consolidated Entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

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

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

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

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

Note 3. Operating segments

Identification of reportable operating segments
The Consolidated Entity has two operating segments: Podiatry and Physiotherapy.

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

The 'other' category comprises of corporate functions.

The CODM reviews underlying EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

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

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

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

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

Underlying results for the 12 months ended 30 June 2020 exclude the impact of non-recurring income and expenses such as acquisition and integration costs.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 2020	Podiatry $'000	Physio-therapy $'000	Other* $'000	Total $'000
Revenue and other income				
Sales to external customers	45,478	41,747	-	87,225
Other income	3,296	5,845	-	9,141
Total revenue and other income	48,774	47,592	-	96,366
EBITDA	16,816	12,278	(6,347)	22,747
Depreciation and amortisation expense	(5,765)	(3,997)	-	(9,762)
Finance costs	-	-	(2,725)	(2,725)
Acquisition and integration costs	-	-	(2,665)	(2,665)
Insurance write-off	-	-	(88)	(88)
Share based payments and associated costs	-	-	(254)	(254)
Profit/(loss) before income tax expense	11,051	8,281	(12,079)	7,253
Income tax expense				(2,105)
Profit after income tax expense				5,148

* The 'Other' category comprises corporate functions and does not represent an operating segment.

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

* The 'Other' category comprises corporate functions and does not represent an operating segment.

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

Note 4. Revenue from contracts with customers

	Consolidated	
	2020 $'000	2019 $'000
Rendering of services	80,338	55,384
Sale of goods	6,887	9,700
Revenue from contracts with customers	87,225	65,084

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

	Consolidated	
	2020 $'000	2019 $'000
Segment Revenue		
Podiatry	45,478	39,868
Physiotherapy	41,747	25,215
Other	-	1
	87,225	65,084
Geographical regions		
Australia	87,028	65,084
United States	197	-
	87,225	65,084
Timing of revenue recognition		
Goods and services transferred at a point in time	87,225	65,084

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

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

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

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

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

Note 4. Revenue from contracts with customers (continued)

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

Note 5. Other income

	Consolidated	
	2020 $'000	2019 $'000
Government grants (COVID-19)	7,920	-
Interest	-	1
Sub-tenant rent	923	844
Other income	298	-
Other income	9,141	845

Government grants (COVID-19)
During the Coronavirus ('Covid-19') pandemic, the Consolidated Entity has received JobKeeper support payments from the Australian Government which are passed on to eligible employees. These are recognised as government grants in the financial statements as other income when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. It is recognised as other income on a systematic basis over the periods that the related employee benefits expense, for which it is intended to compensate, are expensed.

The JobKeeper payment scheme in its current form runs for the fortnights from 30 March until 27 September 2020. The Consolidated Entity is eligible for JobKeeper support from the government on the condition that employee benefits continue to be paid.

Accounting policy for interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Accounting policy for rent
Rent revenue is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Note 6. Expenses

	Consolidated 2020 $'000	Consolidated 2019 $'000
Profit before income tax includes the following specific expenses:		
Cost of sales		
Cost of sales	6,848	5,297
Depreciation		
Leasehold improvements	794	539
Plant and equipment	1,397	1,010
Land and buildings - right-of-use assets	6,650	-
Plant and equipment - right-of-use assets	260	-
Total depreciation	9,101	1,549
Amortisation		
Customer lists	571	395
Software	90	-
Total amortisation	661	395
Total depreciation and amortisation	9,762	1,944
Finance costs		
Interest expense - bank	1,378	1,331
Interest expense - lease liabilities	1,347	-
Finance costs expensed	2,725	1,331
Net loss on disposal		
Net loss on disposal of property, plant and equipment	-	85

Note 7. Income tax

	Consolidated 2020 $'000	Consolidated 2019 $'000
Income tax expense		
Current tax	2,793	1,583
Deferred tax - origination and reversal of temporary differences	(245)	(397)
Adjustment recognised for prior periods	(443)	80
Aggregate income tax expense	2,105	1,266
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(245)	(397)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	7,253	983
Tax at the statutory tax rate of 30%	2,176	295
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Capital costs expensed	356	852
Sundry items	16	39
	2,548	1,186
Adjustment recognised for prior periods	(443)	80
Income tax expense	2,105	1,266

	Consolidated 2020 $'000	Consolidated 2019 $'000
Amounts credited directly to equity		
Deferred tax assets	(748)	(527)

Note 7. Income tax (continued)

	Consolidated 2020 $'000	Consolidated 2019 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	1,003	-
Right-of-use asset	(7,265)	-
Customer lists	(551)	(524)
Employee benefits	1,914	894
Accrued income	(1,121)	-
Leases	8,193	-
Accrued expenses	160	300
Blackhole expenses	652	853
Other	(111)	551
Deferred tax asset	2,874	2,074
Amount expected to be settled within 12 months	2,874	601
Amount expected to be settled after more than 12 months	-	1,473
	2,874	2,074
Movements:		
Opening balance	2,074	830
Credited to profit or loss	245	397
Credited to equity	748	527
Additions through business combinations (note 38)	37	2
Additions through business combinations (other)	-	38
Current year loss	-	259
Other	(230)	21
Closing balance	2,874	2,074

	Consolidated 2020 $'000	Consolidated 2019 $'000
Provision for income tax		
Provision for income tax	2,808	1,051

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.

Note 7. Income tax (continued)

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

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

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

Franking credits

	Consolidated	
	2020 $'000	2019 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	2,030	2,627

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 8. Cash and cash equivalents

Current

	Consolidated	
	2020 $'000	2019 $'000
Cash on hand	78	64
Cash at bank	4,081	2,546
	4,159	2,610

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

	2020 $'000	2019 $'000
Balances as above	4,159	2,610
Bank overdraft (note 17)	-	(72)
Balance as per statement of cash flows	4,159	2,538

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

Note 9. Trade and other receivables

Current

	Consolidated 2020 $'000	Consolidated 2019 $'000
Trade and other receivables	2,258	2,027
Less: Allowance for expected credit losses	(73)	-
	2,185	2,027
Other receivables	553	629
Government grant (COVID-19) receivable	3,183	-
Related party loan receivable	200	200
GST recoverable	277	540
	6,398	3,396

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

Allowance for expected credit losses
The Consolidated Entity has recognised a loss of $73,000 for FY20 in profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2020 %	Expected credit loss rate 2019 %	Carrying amount 2020 $'000	Carrying amount 2019 $'000	Allowance for expected credit losses 2020 $'000	Allowance for expected credit losses 2019 $'000
Not overdue	-	-	1,138	1,171	-	-
0 to 3 months overdue	-	-	647	409	-	-
Over 3 months overdue	15%	-	473	447	73	-
			2,258	2,027	73	-

The Consolidated Entity has increased its monitoring of trade receivables recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. As a result, the calculation of expected credit losses has been revised as at 30 June 2020 and rates have increased in the Over 3 months overdue category to 15% (FY19: 0%).

Generally, trade receivables are written off when there is no reasonable expectation of recovery and $308,000 of trade receivables were written off during the current period (FY19: $0).

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

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

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 10. Inventories

Current

	Consolidated 2020 $'000	Consolidated 2019 $'000
Consumables	1,389	1,026
Finished goods	2,347	2,452
	3,736	3,478

Accounting policy for inventories
Consumables and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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

Note 11. Other current assets

Current

	Consolidated 2020 $'000	Consolidated 2019 $'000
Prepayments	620	796
Other current assets	312	422
	932	1,218

Note 12. Investments accounted for using the equity method

Non-current

	Consolidated 2020 $'000	Consolidated 2019 $'000
Investment in associate - Fracture Holdco Pty Ltd	19	10

Reconciliation
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

	2020	2019
Opening carrying amount	10	-
Profit after income tax	9	-
Additions	-	10
Closing carrying amount	19	10

Refer to note 40 for further information on interests in associates.

Note 13. Property, plant and equipment

Non-current

	Consolidated 2020 $'000	2019 $'000
Leasehold improvements - at cost	4,517	4,417
Less: Accumulated depreciation	(1,690)	(1,049)
	2,827	3,368
Plant and equipment - at cost	9,806	7,727
Less: Accumulated depreciation	(4,957)	(3,452)
	4,849	4,275
	7,676	7,643

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

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2018	1,659	3,097	4,756
Additions	1,311	1,430	2,741
Additions through business combinations (note 38)	937	758	1,695
Depreciation expense	(539)	(1,010)	(1,549)
Balance at 30 June 2019	3,368	4,275	7,643
Additions	98	1,291	1,389
Additions through business combinations (note 38)	155	1,035	1,190
Disposals	-	(133)	(133)
Reclassified to intangible assets (note 15)	-	(222)	(222)
Depreciation expense	(794)	(1,397)	(2,191)
Balance at 30 June 2020	2,827	4,849	7,676

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

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

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

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

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

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

Note 14. Right-of-use assets

Non-current

	Consolidated 2020 $'000	Consolidated 2019 $'000
Land and buildings - right-of-use	30,519	-
Less: Accumulated depreciation	(6,650)	-
	23,869	-
Plant and equipment - right-of-use	607	-
Less: Accumulated depreciation	(260)	-
	347	-
	24,216	-

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

Consolidated	Land and buildings - right-of-use $'000	Plant and equipment - right-of-use $'000	Total $'000
Balance at 1 July 2018	-	-	-
Balance at 30 June 2019	-	-	-
Recognised on transition to AASB 16	21,153	607	21,760
Additions through business combinations (note 38)	6,831	-	6,831
Additions	2,535	-	2,535
Transfers in/(out)	-	-	-
Depreciation expense	(6,650)	(260)	(6,910)
Balance at 30 June 2020	23,869	347	24,216

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Consolidated Entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Consolidated Entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 15. Intangibles

Non-current

	Consolidated 2020 $'000	Consolidated 2019 $'000
Goodwill - at cost	77,173	60,485
Trademarks	20	19
Customer lists	3,108	2,394
Less: Accumulated amortisation	(1,248)	(677)
	1,860	1,717
Software - at cost	337	-
Less: Accumulated amortisation	(115)	-
	222	-
	79,275	62,221

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

Consolidated	Goodwill $'000	Trademarks $'000	Customer lists $'000	Software $'000	Total $'000
Balance at 1 July 2018	26,385	5	665	-	27,055
Additions	-	15	-	-	15
Additions through business combinations (note 38)	34,100	-	1,446	-	35,546
Amortisation expense	-	-	(395)	-	(395)
Balance at 30 June 2019	60,485	20	1,716	-	62,221
Additions through business combinations (note 38)	16,688	-	715	-	17,403
Reclassified from property, plant and equipment (note 13)	-	-	-	222	222
Amortisation expense	-	-	(571)	-	(571)
Balance at 30 June 2020	77,173	20	1,860	222	79,275

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Podiatry	39,208	31,398
Physiotherapy	37,965	29,087
Total goodwill	77,173	60,485

Note 15. Intangibles (continued)

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.

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

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

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

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

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

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

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

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

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

Key assumptions used for the value-in-use calculations are those to which the recoverable amount of an asset or Cash-Generating Units is most sensitive.

Note 15. Intangibles (continued)

The following key assumptions were used in the discounted cash flow model for both the Podiatry and Physiotherapy divisions:

- The group tests for goodwill impairment on an annual basis. The recoverable of amount of a Cash Generating Unit ('CGU') is determined based on a value-in-use calculation which require the use of assumptions
- The calculations use cash flow projections over a five-year period, the first being 2021, based on the financial budget approved by the Board. Cash flow projections for periods beyond the 2021 period are extrapolated using the estimated growth rates below
- Goodwill has been allocated to the two groupings of CGUs representing Podiatry and Physiotherapy
- Corporate overheads have been apportioned to the CGUs
- Sensitivity analyses on growth and discount rates has been performed to assess the impact on the outcome of the model

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

- Period of cash flows: 5 years
- 3.0% (2019: 3.0%) per annum projected revenue growth
- 3.0% (2019: 3.0%) per annum increase in operating costs and overheads
- Maintenance capital expenditures of 1.0% (2019: 1.0%) of revenue per annum
- 13.0% (2019: 13.0%) pre-tax discount rate
- 3.0% (2019: 3.0%) terminal value growth rate

The discount rate of 13.0% pre-tax reflects management's estimate of the time value of money and the Consolidated Entity's weighted average cost of capital, the long-term risk-free rate and the volatility of the share price relative to market movements.

The Board believes the projected 3.0% revenue growth rate is prudent and justified, based on the organic growth of 5.3% achieved for the financial year (excluding trading from April and May 2020 due to the impacts of COVID-19) and long-term industry growth rates for the Podiatry and Physiotherapy divisions.

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

The sensitivities are as follows:

- Revenue growth would need to decrease to less than 0.35% (than the base case or expected scenario) for the podiatry division before goodwill would need to be impaired, with all other assumptions remaining constant including 3.0% per annum cost growth; and
- Revenue growth would need to decrease to less than 1.25% (than the base case or expected scenario) for the physiotherapy division before goodwill would need to be impaired, with all other assumptions remaining constant including 3.0% per annum cost growth.

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

Note 16. Trade and other payables

Current

	Consolidated	
	2020 $'000	2019 $'000
Trade payables	1,447	886
Accruals	2,013	979
Income tax payable	1,090	417
GST collected	88	199
Superannuation payable	1,044	916
Other payables	46	-
	5,728	3,397

Note 16. Trade and other payables (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. They are measured at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 17. Borrowings

Current

	Consolidated	
	2020 $'000	2019 $'000
Bank overdraft	-	72

Refer to note 30 for further information on financial instruments.

Note 18. Lease liabilities

Current

	Consolidated	
	2020 $'000	2019 $'000
Lease liability	7,203	412

Refer to note 30 for further information on financial instruments.

Note 19. Employee benefits

Current

	Consolidated	
	2020 $'000	2019 $'000
Annual leave	3,037	2,144
Long service leave	933	574
	3,970	2,718

Accounting policy for employee benefits

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

Note 20. Other current liabilities

Current

	Consolidated	
	2020 $'000	2019 $'000
Deferred lease incentives	-	220
Contingent consideration	1,845	1,495
	1,845	1,715

Note 20. Other current liabilities (continued)

Accounting policy for deferred lease incentives - pre 1 July 2019
The liability represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

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

Note 21. Borrowings

Non-current

	Consolidated	
	2020 $'000	2019 $'000
Bank loans	26,735	19,606

Refer to note 30 for further information on financial instruments.

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

	Consolidated	
	2020 $'000	2019 $'000
Bank overdraft	-	72
Bank loans	26,735	19,606
	26,735	19,678

Key Terms of the Bank Loan
On 13 February 2020, the Consolidated Entity signed formal documentation to increase its total syndicated finance facility from $37.0 million to $50.0 million with Australian and New Zealand Bank and the Bank of Queensland Limited. In addition, the facility term was extended to 30 September 2022.

The key financial covenants of the finance facility remain unchanged. They are as follows:
- Leverage Ratio: (Debt: Adjusted EBITDA) must remain below or equal to 2.50 times;
- Fixed Charge Cover Ratio: (Adjusted EBITDA + rent expense) / (interest + rent expense) must remain above or equal to 1.75 times; and
- Debt to Capitalisation Ratio: Debt / (Debt + Book Value of Equity) must remain below than or equal to 50%.

Note that for the purposes of covenant testing, AASB 16 'Leases' does not apply and covenants are calculated as they were prior to the adoption of this standard by the Consolidated Entity.

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

As at 30 June 2020, the Consolidated Entity has drawn down $26.7 million out of the finance facility. An amount of $23.3 million remains undrawn under the finance facility at the reporting date. The Consolidated Entity expects to use a combination of the undrawn debt amount, future operating cash flow and clinic class shares to fund future acquisitions.

Note 21. Borrowings (continued)

On 5 February 2020, the Consolidated Entity restructured its interest rate swap to take advantage of favourable market conditions. The previous $11.0 million interest rate swap with a fixed rate of 2.15% expiring on 12 December 2020, was restructured via a 'blend and extend' transaction into a $20.0 million interest rate swap with a fixed rate of 1.21% expiring on 30 September 2022 (representing a saving of 0.94%).

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

	Consolidated	
	2020 $'000	2019 $'000
Total facilities		
Bank overdraft	1,000	1,000
Bank loans	50,000	37,000
	51,000	38,000
Used at the reporting date		
Bank overdraft	-	72
Bank loans	26,735	19,606
	26,735	19,678
Unused at the reporting date		
Bank overdraft	1,000	928
Bank loans	23,265	17,394
	24,265	18,322

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.

Note 22. Lease liabilities

Non-current

	Consolidated	
	2020 $'000	2019 $'000
Lease liability	20,549	433

Refer to note 30 for further information on financial instruments.

Accounting policy for lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Consolidated Entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Variable lease payments include rent concessions in the form of rent forgiveness or a waiver as a direct consequence of the Coronavirus (COVID-19) pandemic and which relate to payments originally due on or before 30 June 2021.

Note 22. Lease liabilities (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 23. Derivative financial instruments

Non-current

	Consolidated 2020 $'000	Consolidated 2019 $'000
Interest rate swap contracts liabilities	224	92

Refer to note 30 for further information on financial instruments.

Refer to note 31 for further information on fair value measurement.

Accounting policy for derivative financial instruments

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

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

The Consolidated Entity entered into interest rate swap contracts totalling $20.0 million under which it is obliged to receive interest at variable rates and pay interest at fixed rates. These hedges expire in September 2022.

Note 24. Employee benefits

Non-current

	Consolidated 2020 $'000	Consolidated 2019 $'000
Long service leave	332	260

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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 25. Provisions

Non-current

	Consolidated 2020 $'000	Consolidated 2019 $'000
Lease make good provision	754	728

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

Note 26. Other non-current liabilities

Non-current

	Consolidated 2020 $'000	Consolidated 2019 $'000
Deferred lease incentives	-	878
Contingent consideration	1,000	-
	1,000	878

Accounting policy for deferred lease incentives - pre 1 July 2019
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 relates to business combinations and is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the contingent consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Note 27. Issued capital

	Consolidated 2020 Shares	Consolidated 2019 Shares	Consolidated 2020 $'000	Consolidated 2019 $'000
Ordinary shares - fully paid	63,034,653	63,034,653	49,884	49,884

Note 27. Issued capital (continued)

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-Jul-18	919	$0.91	890
Issue of ordinary shares - issued by MFDA	30-Jul-18	200	$1.00	200
Issue of ordinary shares - MFDA Group Acquisition*	30-Jul-18	14,079	$1.00	-
Issue of ordinary shares - MFDA Group Acquisition rollover of Clinic Class Shares	30-Jul-18	2,225	$1.00	2,225
Issue of ordinary shares - acquisition of businesses	29-Aug-18	1,585	$1.00	1,585
Issue of ordinary shares - acquisition of businesses	30-Aug-18	2,720	$1.00	2,720
Issue of ordinary shares - acquisition of businesses	31-Aug-18	1,017	$1.00	1,017
Issue of ordinary shares - acquisition of additional 25% interest in DBS	31-Aug-18	294	$1.00	294
Issue of ordinary shares - acquisition of businesses	3-Sep-18	360	$1.00	360
Issue of ordinary shares - acquisition of businesses	4-Sep-18	480	$1.00	480
Issue of ordinary shares - Initial Public Offer	11-Sep-18	27,927	$1.00	27,927
Less: share issue transaction costs		-	$0.00	(1,747)
Tax recognised in equity		-	$0.00	527
Balance	30 June 2019	63,035		49,884
Balance	30 June 2020	63,035		49,884

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

My FootDr (Aust) Ltd (the MFDA Group)
In accordance with Australian Accounting Standards the acquisition of MFDA Group by the Consolidated Entity does not meet the definition of a business combination within the provisions of AASB 3 'Business Combinations' Healthia Limited was established for the sole purpose of acquiring the MFDA Group by way of equity.

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

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

Movements in non-recourse employee shares (NRE)

Details	Date	Shares	Issue price	$'000
Balance	1 July 2018	919,166		-
Vesting of non-recourse employee share loans	5 July 2018	(919,166)	$0.00	-
Balance	30 June 2019	-		-
Balance	30 June 2020	-		-

Note 27. Issued capital (continued)

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

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

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

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

The Consolidated Entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

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

The capital risk management policy remains unchanged from the 2019 Annual Report.

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 28. Reserves

	Consolidated	
	2020 $'000	2019 $'000
Share-based payments reserve	655	450
Transactions with non-controlling interest reserve	(2,351)	(2,351)
Pre-IPO distributions reserve	(2,494)	(2,494)
	(4,190)	(4,395)

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

A share-based payments expense of $254,000 (2019: $275,000) was recognised in the year. Refer to note 44 for further details.

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

Note 28. 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 Financial Report of Healthia Limited. Therefore, all comparative periods are in relation to the MFDA Group.

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

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

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

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

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

Total consideration for the two transactions was $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 29. Non-controlling interest

	Consolidated	
	2020 $'000	2019 $'000
Issued equity - Clinic Class shares and minority interests	12,685	8,440
Retained profits	1,270	437
	13,955	8,877

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 prior financial year following amendments to the terms and conditions that result in the instruments having the characteristics of equity.

Note 30. Financial instruments

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

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

Market risk

Interest rate risk
The Consolidated Entity's main interest rate risk arises from long-term borrowings and interest rate swap contracts. Borrowings obtained at variable rates expose the Consolidated Entity to interest rate risk. Borrowings obtained at fixed rates expose the Consolidated Entity to fair value interest rate risk.

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

Consolidated	2020 $'000	2019 $'000
Bank loans	26,735	19,606
Interest rate swap (notional principal amount)	(20,000)	(11,000)
Net exposure to cash flow interest rate risk	6,735	8,606

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

For the Consolidated Entity the bank loans outstanding, totalling $26.74 million (2019: $19.6 million), are interest only loans. At reporting date, $20.0 million (2019: $11.0 million) of debt was hedged by floating to fixed interest rate swaps.

An official increase in interest rates of 100 (2019: 100) basis points would have an adverse effect on profit before tax of $67,350 (2019: $86,055) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

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

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

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

Note 30. Financial instruments (continued)

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Bank overdraft	1,000	928
Bank loans	23,265	17,394
	24,265	18,322

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 2.25 years (2019: 2 years).

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

Consolidated - 2020	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Remaining contractual maturities $'000
Non-derivatives							
Non-interest bearing							
Trade and other payables	-	-	-	-	-	5,731	5,731
Interest-bearing - variable							
Bank loans	4.90%	-	-	26,735	-	-	26,735
Interest-bearing - fixed rate							
Lease liability	5.00%	7,203	20,549	-	-	-	27,752
Total non-derivatives		7,203	20,549	26,735	-	5,731	60,218
Derivatives							
Interest rate swaps inflow	0.14%	(28)	(35)	-	-	-	(63)
Interest rate swaps outflow	1.26%	252	315	-	-	-	567
Total derivatives		224	280	-	-	-	504

Note 30. Financial instruments (continued)

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

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

Note 31. Fair value measurement

Fair value hierarchy
The following tables detail the Consolidated Entity's assets and liabilities measured or disclosed at fair value using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swap	-	92	-	92
Contingent consideration	-	-	1,495	1,495
Total liabilities	-	92	1,495	1,587

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

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

Note 31. Fair value measurement (continued)

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

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

Consolidated	Clinic class shares debt $'000	Contingent consideration $'000	Total $'000
Balance at 1 July 2018	3,966	220	4,186
Additions	-	1,600	1,600
Disposals	(3,966)	(325)	(4,291)
Balance at 30 June 2019	-	1,495	1,495
Additions	-	1,850	1,850
Disposals	-	(500)	(500)
Balance at 30 June 2020	-	2,845	2,845

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

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Contingent consideration	Expected EBITDA of acquired clinics	$127,000 - $1,000,000	If expected EBITDA were 10% higher, there would be no increase in fair value. If expected EBITDA was 10% lower, there would a decrease in fair value of $550,000.

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

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

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 32. Key management personnel disclosures

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

	Consolidated	
	2020 $	2019 $
Short-term employee benefits	1,440,426	1,276,731
Post-employment benefits	121,730	122,445
Long-term benefits	19,436	21,251
Share-based payments	5,192	235,013
	1,586,784	1,655,440

Note 33. Remuneration of auditors

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

	Consolidated	
	2020 $	2019 $
Audit and other assurance services - BDO		
Audit and review of the Group financial statements	218,723	165,000
Other assurance services - investigating accountant advisory fees	-	151,961
Total remuneration for audit and other assurance services	218,723	316,961
Non-audit services - BDO		
Taxation and business advisory services	205,485	116,640
Indirect tax advisory services	-	72,852
R&D advisory services	7,500	25,920
Total remuneration for non-audit services	212,985	215,412
Total remuneration of BDO	431,708	532,373

Note 34. Contingent liabilities

The Consolidated Entity has given bank guarantees as at 30 June 2020 of $1,992,498 (30 June 2019: $1,794,086) to various landlords.

Note 35. Commitments

	Consolidated 2020 $'000	Consolidated 2019 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	6,279
One to five years	-	11,133
More than five years	-	1,546
	-	18,958
Lease commitments - finance		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	442
One to five years	-	456
Total commitment	-	898
Less: Future finance charges	-	(53)
Net commitment recognised as liabilities	-	845

AASB 16 was adopted from 1 July 2019 using the modified retrospective approach. Accordingly, current year leases are accounted for on the face of the Statement of Financial Position in accordance with AASB 16. Comparative years leases are not disclosed on the face of the Statement of Financial Position but detailed above in accordance with AASB 117.

Note 36. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 39.

Associates
Interest in associates are set out in note 38.

Key management personnel
Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the Directors' report.

Note 36. Related party transactions (continued)

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

	Consolidated 2020 $	Consolidated 2019 $
Consideration relating to the acquisition of businesses at the time of Initial Public Offering:		
Ordinary shares issued for the acquisition of businesses to Director Anthony Ganter	-	1,103,322
Ordinary shares issued for the acquisition of businesses to key management personnel Lisa Roach	-	630,548
Cash payment for the acquisition of businesses to Director Anthony Ganter	-	1,260,366
Cash payment for the acquisition of businesses to Director Darren Stewart	-	500,000
Cash payment for the acquisition of businesses to key management personnel Lisa Roach	-	638,391
Cash payment for the acquisition of businesses to key management personnel Glen Evangelista	-	1,000,000
Cash payment for the acquisition of businesses to key management personnel Dean Hartley	-	161,846
Other transactions:		
Rent and outgoings paid to entities controlled by Director Darren Stewart	333,683	381,769
Rent and outgoings paid to entities controlled by Director Anthony Ganter	174,213	162,664
Rent and outgoings paid to entities controlled by key management personnel Dean Hartley and Glen Evangelista	160,771	131,643
Rent and outgoings paid to entities controlled by key management personnel Lisa Roach	170,461	144,803
Payment for services (outsourced accounts payable processing) to an entity associated with Director and key management personnel Wesley Coote	232,821	80,350

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current reporting date 30 June 2020 and previous reporting date 30 June 2019.

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 2020 $	Consolidated 2019 $
Current receivables:		
Loan to Chris Banks	200,000	200,000

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

Note 37. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2020 $'000	Parent 2019 $'000
Loss after income tax	(338)	(218)
Total comprehensive income	(338)	(218)

Note 37. Parent entity information (continued)

Statement of financial position

	Parent 2020 $'000	Parent 2019 $'000
Total current assets	76	14
Total assets	59,845	51,604
Total current liabilities	2	-
Total liabilities	26,961	19,082
Equity		
Issued capital	33,604	32,740
Share-based payments reserve	205	-
Accumulated losses	(925)	(218)
Total equity	32,884	32,522

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

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

Note 38. Business combinations

2020

Acquisition of The Foot & Ankle Clinic
The Foot and Ankle Clinic comprising of 12 podiatry clinics in Victoria, was acquired on 8 May 2020. Initial consideration paid for the acquisition was $4.86M in cash consideration, with up to an additional $0.50M payable in contingent consideration.

The acquired businesses contributed revenues of $0.54M and EBITDA (pre-AASB16) of $0.23M to the Consolidated Entity for the period from the date of the acquisition to 30 June 2020.

Acquisition of other podiatry acquisitions
The Consolidated Entity acquired an additional 6 podiatry clinics since 30 June 2019. Initial consideration paid for the acquisitions was $3.73M including $3.13M in cash consideration, $0.40M in Clinic Class Share consideration, with up to an additional $0.20M payable in contingent consideration.

The acquired businesses contributed revenues of $3.44M and EBITDA (pre-AASB16) of $0.95M to the Consolidated Entity for the period from the dates of the acquisition to 30 June 2020.

Note 38. Business combinations (continued)

Acquisition of Momentum Health
Momentum Health comprising of 3 physiotherapy clinics in Toowoomba, was acquired on 23 August 2019. Initial consideration paid for the acquisition was $2.16M including $1.01M in cash consideration, $1.15M in Clinic Class Share consideration, with up to an additional $0.40M payable in contingent consideration.

The acquired businesses contributed revenues of $2.51M and EBITDA (pre-AASB16) of $0.67M to the Consolidated Entity for the period from the date of the acquisition to 30 June 2020.

Acquisition of Hand Therapy NSW
Hand Therapy Group comprising of 4 hand therapy clinics in Sydney, was acquired on 13 August 2019. Initial consideration paid for the acquisition was $3.09M including $2.16M in cash consideration, $0.93M in Clinic Class Share consideration, with up to an additional $0.50M payable in contingent consideration.

The acquired businesses contributed revenues of $2.23M and EBITDA (pre-AASB16) of $0.63M to the Consolidated Entity for the period from the date of the acquisition to 30 June 2020.

Acquisition of other physiotherapy acquisitions
The Consolidated Entity acquired an additional 6 physiotherapy clinics since 30 June 2019. Initial consideration paid for the acquisitions was $2.74M including $1.82M in cash consideration and $0.92M in clinic class share consideration, with up to an additional $0.25M payable in contingent consideration.

The acquired businesses contributed revenues of $2.21M and EBITDA (pre-AASB16) of $0.73M to the Consolidated Entity for the period from the dates of the acquisition to 30 June 2020.

Acquisition rationale
All podiatry and physiotherapy acquisitions made during the period were consistent with the Consolidated Entity's stated strategic objective of acquiring and integrating allied health clinics. Given the fragmented nature of the targeted allied health industries, acquisitions will continue to be a central pillar of the Consolidated Entity’s growth strategy.

Financial Contribution
The acquired businesses contributed revenues of $10.94M and EBITDA (pre-AASB16) of $3.21M to the Consolidated Entity for the period from the dates of the acquisition to 30 June 2020. If the above acquisitions had occurred on 1 July 2019 (the beginning of the financial year), the full year (or annualised) contributions of revenue would have been $16.94M and EBITDA (pre-AASB16) would have been $5.34M.

Note 38. Business combinations (continued)

Details of the acquisitions are as follows:

	Physiotherapy			Podiatry		
	Momentum Health Fair value $'000	Hand Therapy NSW Fair value $'000	Other physiotherapy acquisitions Fair value $'000	The Foot & Ankle Clinic Fair value $'000	Other podiatry acquisitions Fair value $'000	Total $'000
Trade receivables	-	-	-	69	-	69
Inventories	30	102	46	345	89	612
Plant and equipment	40	69	160	619	302	1,190
Right-of-use assets	512	242	1,898	2,607	1,572	6,831
Customer lists	113	141	134	168	159	715
Deferred tax asset	74	57	38	45	37	251
Other assets	1	23	(2)	6	6	34
Deferred tax liability	(34)	(42)	(40)	(50)	(48)	(214)
Employee benefits	(247)	(191)	(99)	(150)	(124)	(811)
Lease liability - current	(140)	(73)	(299)	(334)	(201)	(1,047)
Lease liability - non-current	(372)	(169)	(1,599)	(2,279)	(1,370)	(5,789)
Other liabilities	(17)	(34)	(65)	(109)	(82)	(307)
Net assets/(liabilities) acquired	(40)	125	172	937	340	1,534
Goodwill	2,602	3,461	2,815	4,422	3,388	16,688
Acquisition-date fair value of the total consideration transferred	2,562	3,586	2,987	5,359	3,728	18,222
Representing:						
Cash paid or payable to vendor	1,010	2,156	1,822	4,859	3,127	12,974
Contingent consideration *	400	500	250	500	200	1,850
Clinic Class Shares issued to vendor	1,152	930	915	-	401	3,398
	2,562	3,586	2,987	5,359	3,728	18,222
Cash used to acquire business, net of cash acquired:						
Acquisition-date fair value of the total consideration transferred	2,562	3,586	2,987	5,359	3,728	18,222
Less: contingent consideration	(400)	(500)	(250)	(500)	(200)	(1,850)
Less: Clinic Class Shares issued to vendor	(1,152)	(930)	(915)	-	(401)	(3,398)
Net cash used	1,010	2,156	1,822	4,859	3,127	12,974

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

2019

Note 38. Business combinations (continued)

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 $15.732M including $8.953M in cash consideration, $0.450M in contingent consideration, $1.717M in Clinic Class Share consideration and $4.611M 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 $2.257M including $1.087M in cash consideration, $0.450M in contingent consideration, $0.360M in Clinic Class Share consideration and $0.360M in Healthia Limited ordinary share consideration.

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

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

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

Note 38. Business combinations (continued)

Details of the acquisitions are as follows:

	Physiotherapy			Podiatry	
	Allsports Physiotherapy Fair value $'000	Extend Rehabilitation Fair value $'000	Other Physiotherapy Acquisitions Fair value $'000	Other Podiatry Acquisitions Fair value $'000	Total $'000
Cash and cash equivalents	176	-	-	-	176
Trade receivables	9	-	-	-	9
Inventories	144	114	206	223	687
Plant and equipment	996	30	506	163	1,695
Customer lists	373	109	704	261	1,447
Deferred tax asset	189	38	186	23	436
Other assets	33	1	17	18	69
Trade payables	(223)	-	-	-	(223)
Deferred tax liability	(112)	(33)	(211)	(78)	(434)
Employee benefits	(639)	(127)	(621)	(75)	(1,462)
Other liabilities	(408)	-	(35)	-	(443)
Net assets acquired	538	132	752	535	1,957
Goodwill	15,192	2,125	11,731	5,051	34,099
Acquisition-date fair value of the total consideration transferred	15,730	2,257	12,483	5,586	36,056
Representing:					
Cash paid or payable to vendor	8,952	1,087	8,193	5,276	23,508
Healthia Limited shares issued to vendor	4,611	360	1,183	8	6,162
Contingent consideration	450	450	700	-	1,600
Clinic Class Shares issued to vendor	1,717	360	2,407	302	4,786
	15,730	2,257	12,483	5,586	36,056

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

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

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

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

Note 38. Business combinations (continued)

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

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

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

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

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

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

Acquisition and integration costs of $2.67M are included as acquisition costs in the statement of profit and loss and other comprehensive income.

Note 39. Interests in subsidiaries

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

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2020 %**	**2019 %**
My FootDr (Aust) Limited	Australia	100.00%	100.00%
Allsports (Aust) Limited	Australia	100.00%	100.00%
Extend Rehab Pty Ltd	Australia	100.00%	100.00%
iOrthotics Pty Ltd	Australia	100.00%	100.00%
D.B.S. AUSTRALIA PTY. LTD.	Australia	75.00%	75.00%
Allsports Physiotherapy Forest Lake Pty Ltd	Australia	100.00%	100.00%
Allsports Pilates Sherwood Pty Ltd	Australia	100.00%	100.00%
Southside Manipulative Physiotherapy Centre Pty Ltd	Australia	100.00%	100.00%
Allsports Physiotherapy The Gap Pty Ltd	Australia	100.00%	100.00%
Allsports Physiotherapy Toowong Pty Ltd	Australia	100.00%	100.00%
My FootDr (Brookwater) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Camp Hill) Pty Ltd	Australia	100.00%	100.00%
My FootDr Granda Pty Ltd	Australia	100.00%	100.00%

Note 39. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
My FootDr (Fortitude Valley) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Indooroopilly) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Mackay) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Newmarket) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Oxenford) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Redcliffe) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Shailer Park) Pty Ltd	Australia	100.00%	100.00%
MyFootDr Administration Pty Ltd	Australia	100.00%	100.00%
Orthema Australasia Pty Ltd	Australia	100.00%	100.00%
Footwear Enterprises Pty Ltd	Australia	100.00%	100.00%
PinPointe FootLaser Australia Pty Ltd	Australia	100.00%	100.00%
MFD IP Pty Ltd	Australia	100.00%	100.00%
Mackay Foot Centre Pty Ltd as trustee for the Mackay Foot Centre Unit Trust	Australia	100.00%	100.00%
Balpod Holdings Pty Ltd	Australia	100.00%	100.00%
My FootDr (Cleveland) Pty Ltd	Australia	100.00%	100.00%
Foot Care Solutions Australia Pty Ltd	Australia	75.00%	75.00%
Trepar Pty Ltd	Australia	100.00%	100.00%
Brisbane Podiatry & Footwear Pty Ltd as trustee for Brisbane Podiatry & Footwear Unit Trust	Australia	100.00%	100.00%
Foot Focus (Aust) Pty Ltd	Australia	100.00%	100.00%
Foot Focus (NSW) Pty Ltd	Australia	100.00%	100.00%
Foot Focus 4 Kids Pty Ltd	Australia	100.00%	100.00%
Foot Focus Narellan Pty Ltd	Australia	100.00%	100.00%
Healthia USA INC	United States	100.00%	-
iOrthotics USA LLC	United States	58.00%	-

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

		Parent		Non-controlling interest	
Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %	Ownership interest 2020 %	Ownership interest 2019 %
D.B.S, Australia Pty Ltd	Australia	75.00%	75.00%	25.00%	25.00%
Foot Care Solutions Australia Pty Ltd	Australia	75.00%	75.00%	25.00%	25.00%
iOrthotics USA LLC	United States	58.00%	-	42.00%	-

Note 40. Interests in associates

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

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Fracture Holdco Pty Ltd	Australia	45.00%	45.00%

Note 41. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated	
	2020 $'000	2019 $'000
Profit/(loss) after income tax expense for the year	5,148	(283)
Adjustments for:		
Depreciation and amortisation	9,762	1,944
Net loss on disposal of property, plant and equipment	42	-
Share of profit - associates	(9)	-
Share-based payments	205	275
Fair value movements in interest rate swap instrument	132	92
Change in operating assets and liabilities:		
Increase in trade and other receivables	(3,195)	(2,149)
Decrease/(increase) in inventories	353	(424)
Increase in deferred tax assets	(764)	(1,242)
Decrease in prepayments	530	-
Increase in other operating assets	-	(726)
Increase/(decrease) in trade and other payables	2,179	(1,090)
Increase in provision for income tax	1,757	1,072
Increase in employee benefits	514	180
(Decrease)/Increase in other liabilities and provisions	679	675
Net cash from/(used in) operating activities	17,333	(1,676)

Note 42. Changes in liabilities arising from financing activities

Consolidated	Bank loans $'000	Lease liabilities $'000	Clinic class share debt $'000	Total $'000
Balance at 1 July 2018	14,495	503	3,965	18,963
Net cash from financing activities	5,111	342	-	5,453
Reclassification of Clinic Class Shares from debt to equity	-	-	(3,965)	(3,965)
Balance at 30 June 2019	19,606	845	-	20,451
Net cash from/(used in) financing activities	7,130	(7,152)	-	(22)
Leases recognised on adoption of AASB 16	-	24,688	-	24,688
Acquisition of leases	-	2,535	-	2,535
Changes through business combinations (note 38)	-	6,836	-	6,836
Other changes	(1)	-	-	(1)
Balance at 30 June 2020	26,735	27,752	-	54,487

Note 43. Earnings per share

	Consolidated	
	2020 $'000	2019 $'000
Profit/(loss) after income tax	5,148	(283)
Non-controlling interest	(2,457)	(955)
Profit/(loss) after income tax attributable to the owners of Healthia Limited	2,691	(1,238)

Note 43. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	63,034,653	54,991,800
Adjustments for calculation of diluted earnings per share:		
Performance rights	2,678,358	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	65,713,011	54,991,800

	Cents	Cents
Basic earnings per share	4.27	(2.25)
Diluted earnings per share	4.10	(2.25)

Accounting policy for earnings per share

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

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

Note 44. Share-based payments

Performance rights
On 27 November 2019, the Consolidated Entity issued 2,678,358 performance rights to employees and key management personnel. Details of the performance rights are as follows:

Grant date:	27 November 2019
Grant price:	$nil
Exercise price:	$nil
Vesting date:	31 August 2022
Expiry date:	31 October 2022
Restriction on shares issued on exercise:	Can only be traded in accordance with Securities Trading Policy and insider trading laws

The fair value of performance rights (equity settled) with the relative TSR condition is calculated at the date of grant using the Monte-Carlo simulation model, taking into account the impact of the TSR condition and dividends during the vesting period. The value disclosed is the portion of fair value of the rights recognised in each reporting period.

The total fair value of performance rights issued is $896,576, comprising of performance rights issued to Key Management Personnel (fair value of $22,690) and Support Staff & Key Clinicians (fair value of $873,886).

Note 44. Share-based payments (continued)

Vesting conditions for key management personnel:

Service condition	The performance rights will be exercisable upon satisfaction of the Service condition, being continuous employment with the Company from Grant Date until the Vesting Date.
EPS Growth condition	The Consolidated Entity's compounding annual growth in underlying earnings per share (underlying EPS) for the period from quotation of the Consolidated Entity's shares on ASX to 30 June 2022 is greater than 10% per annum. The underlying EPS results to be used will be Basic EPS recorded in the Consolidated Entity's audited financial statements in the relevant years, adjusted for one-off and non-recurring items and the amortisation of customer lists, as determined by the Board at its discretion. 50% of the performance rights will be exercisable if this condition is met.
Total Shareholder Return condition	Total Shareholder Return ('TSR') to exceed 150% for the period from quotation of the Consolidated Entity's shares on the ASX to 30 June 2022, with TSR calculated as follows: TSR = (Price End - Price Begin + Dividends)/Price Begin Where: Price Begin = share price at quotation of the Consolidated Entity's shares on ASX; Price End = share price at 30 June 2022; and Dividends = total dividends paid per share during the period from listing to 30 June 2022. 50% of the performance rights will be exercisable if this condition is achieved.

Vesting conditions for support staff and key clinicians

Service condition	50% of the performance rights will be exercisable upon satisfaction of the service condition, being continuous employment from grant date until the vesting date.
Performance conditions	50% of the performance rights will be exercisable if the performance condition is achieved, with the relevant performance condition to be tailored to the participant, as follows: Support staff: The Healthia Limited Consolidated Entity delivering positive (greater than zero) compounding annual growth in underlying earnings per share (underlying EPS), as determined by the Board in its discretion, for the period from quotation of the Consolidated Entity's shares on the ASX to 30 June 2022. Key clinicians: The respective clinic delivering a positive EBITDA growth over the next 3 years, whereby EBITDA growth is calculated as (FY22 EBITDA - FY20 EBITDA) / FY20 EBITDA.

Set out below are summaries of performance rights granted under the plan:

2020

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/11/2019	31/10/2022	-	2,678,358	-	-	2,678,358
		-	2,678,358	-	-	2,678,358

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 2.33 years.

No equity settled payments were made during the financial year.

Note 44. Share-based payments (continued)

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

	Consolidated	
	2020 $	2019 $
Equity settled payments		
Equity settled payments to associates of Paul Wilson *	-	75,000
Equity settled payments to Chris Banks *	-	100,000
Equity settled payments other *	-	100,000
Equity settled payments other	254,000	-
Total share-based payments expense for the year	254,000	275,000

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

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

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

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

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

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

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

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

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

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

Note 44. Share-based payments (continued)

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

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

Note 45. Events after the reporting period

The Consolidated Entity has entered into agreements to acquire 3 additional physiotherapy clinics in Queensland and 1 additional podiatry clinic in South Australia, with customary conditions precedent including due diligence and assignment of property leases. Consideration for the acquisitions is $5.05M including $4.01M in cash consideration and $1.04M in clinic class share consideration.

These clinics are expected to contribute Revenue and EBITDA (less lease payments or pre-AASB 16 change) of $5.58M and $1.16M respectively on a pro-forma basis.

As at the date of signing the financial report, the Directors of Healthia Limited have recommended the payment of a final fully franked dividend of 2.00 cent per share to the ordinary shareholders of Healthia Limited. A fully underwritten Dividend Reinvestment Plan (DRP) has been put in place for the final dividend to preserve cash reserves.

Dates for the 2020 final dividend are as follows:
- Ex-dividend date of 8 September 2020;
- Record date of 9 September 2020; and
- Payment date of 28 September 2020.

The Consolidated Entity owns and operates 23 podiatry clinics and 1 physiotherapy clinic in Victoria. At the date of reporting, these clinics remain operational as an essential health care service. These clinics are experiencing some impact on their trading due to the Stage 4 lockdown restrictions imposed in Victoria. However, with JobKeeper payments being received until the end of September 2020 and the geographical diversification of Healthia’s portfolio (84% of Healthia’s clinics are outside of Victoria), the Consolidated Entity is confident of continued robust trading conditions for the business in aggregate.

No other matter or circumstance has arisen since 30 June 2020 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 and its Controlled Entities
Directors' declaration
30 June 2020

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors

Glen Frank Richards
Director

26 August 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of Healthia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Healthia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

Key audit matters

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

Impairment assessment of Goodwill and Other Intangible Assets and determination of Cash Generating Units ("CGU's")

Key audit matter	*How the matter was addressed in our audit*
The Group's disclosures in respect to intangible assets, including the impairment assessments of goodwill and other intangible assets are included in Note 15. The carrying value of intangible assets represent a significant asset of the Group. The Group is required to annually test the amount of goodwill and indefinite useful life intangible assets for impairment and assess other intangible assets for impairment indicators. This annual impairment test was significant to our audit because the goodwill and intangible assets balance is material to the financial statements and because management's assessment process, including the determination of CGU's, is complex, highly judgmental and includes estimates and assumptions relating to expected future market or economic conditions.	• Our procedures included, amongst others: • Evaluating management's determination of the Group's Cash Generating Units ("CGU's") to ensure they are appropriate, including being at a level no higher than the operating segments of the entity • Evaluating management's process regarding the valuation of the Group's goodwill and other intangible assets • Assessing the Group's assumptions and estimates relating to forecast revenue, costs, capital expenditure and discount rates used to determine the recoverable amount of its assets • Assessing the historical accuracy of forecasting of the Group by comparing the current year actual results with FY20 figures included in prior year forecasts to consider whether any forecasts included assumptions, that with hindsight, had been optimistic • Involving our internal specialists to assess the discount rates and terminal growth rates against comparable market information • Challenging key assumptions by performing sensitivity analysis on the growth rates and discount rate assumptions used.

Business combination accounting including determination of goodwill

Key audit matter	How the matter was addressed in our audit
During the year, the group acquired a number of podiatry and physiotherapy clinics. As disclosed in Note 38, as part of these business combination transactions, the Group recognised the following additional intangible assets: • Goodwill • Customer lists Business combinations is a key audit matter due to the significant audit effort to test the group's acquisitions during the year and the level of judgement applied in evaluating management's assessment of goodwill allocated in the purchase.	Our procedures included, amongst others: • Reviewing purchase documentation including contracts and business sale agreements • Obtaining a detailed understanding of the acquired businesses • Assessing the appropriateness of the valuation methodology of the assets acquired • Reviewing management's assessment of the fair value of the consideration paid and the recognition of any deferred consideration upon the acquisition date • Assessing the appropriateness of the disclosures in relation to both the business combinations and intangible assets acquired included in Notes 1,2,15 and 38

Accounting for AASB16 Leases

Key audit matter	How the matter was addressed in our audit
The audit of the accounting for leases under AASB16 is a key audit matter due to the significant amount of data required to be input into management's model, and the judgements necessary in establishing the underlying key assumptions.	Our procedures included, amongst others: • Verifying the accuracy of the underlying lease data by agreeing to lease contracts. • Assessing the appropriateness of the discount rates applied in determining lease liabilities and other assumptions in respect of lease terms and future lease payments. • Performing tests over the mathematical accuracy of the model and underlying calculations. • Assessing the adequacy of the Group's disclosures included in Notes 1,2,14,18 and 22

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 26 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Healthia Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

Cameron Henry
Director

Brisbane, 26 August 2020

Healthia Limited and its Controlled Entities
Shareholder information
30 June 2020

The shareholder information set out below are current as at 18 August 2020

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of ordinary shares
1 to 1,000	166	103,996
1,001 to 5,000	383	1,112,031
5,001 to 10,000	144	1,224,962
10,001 to 100,000	303	9,691,046
100,001 and over	28	16,761,870
	1,024	28,893,905
Holding less than a marketable parcel	59	19,609

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
MY FOOTDR HOLDINGS PTY LTD	6,990,694	11.09
MAXIMUM (NQ) PTY LTD	4,053,083	6.43
DLH TRADING PTY LTD	3,787,676	6.01
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,405,789	5.40
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,314,559	5.26
VIBURNUM FUNDS PTY LTD	3,173,254	5.03
ROM GROUP PTY LTD	3,037,674	4.82
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,982,717	3.15
CITICORP NOMINEES PTY LIMITED	1,782,199	2.83
SANDHURST TRUSTEES LTD	1,245,119	1.98
LEGGS PTY LTD	962,317	1.53
DPC INVESTMENTS PTY LTD	962,317	1.53
GF & LH RICHARDS SUPER PTY LTD	942,246	1.49
VASSALLO CORPORATE HOLDINGS	763,654	1.21
ABC INVESTING PTY LTD	749,731	1.19
MAXIMUM (NQ) PTY LTD	665,670	1.06
LISA SILVER	501,384	0.80
SPIRO VITHOULKAS & ANASTASIA VITHOULKAS	460,775	0.73
DEMSUPER PTY LTD	460,775	0.73
WESLEY COOTE	458,033	0.73
	39,699,666	63.00

Unquoted equity securities

	Number on issue	Number of holders
Performance rights	2,678,358	111

Healthia Limited and its Controlled Entities
Shareholder information
30 June 2020

Substantial holders
Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
MY FOOTDR HOLDINGS PTY LTD	6,990,961	11.09
MAXIMUM (NQ) PTY LTD & GF & LH RICHARDS SUPER PTY LTD	4,995,329	7.92
DLH TRADING PTY LTD	3,787,676	6.01
VIBURNUM FUNDS PTY LTD	3,173,254	5.03

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

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

Performance rights
The performance rights do not rank equally with existing ordinary shares quoted. Prior to vesting, the performance rights do not carry a right to vote or receive dividends.

There are no other classes of equity securities.

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Performance rights	30 October 2022	2,678,358

Share Registry

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

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