

**My FootDr (Aust) Pty Ltd**

**ACN 608 550 607**

**Annual Report - 30 June 2017**

**My FootDr (Aust) Pty Ltd**  
**Directors' report**  
**30 June 2017**

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of My FootDr (Aust) Pty Ltd (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 2017.

**Directors**

The following persons were Directors of My FootDr (Aust) Pty Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Glen Frank Richards  
Paul David Wilson (appointed 23 March 2017)  
Gregory David Dower  
Glen Allan Evangelista (appointed 1 December 2016)  
Damian Joseph Vassallo (appointed 1 December 2016)  
Dean Lloyd Hartley (appointed 1 December 2016)  
Darren Lindsey Stewart  
Wesley James Coote (appointed 1 December 2016, resigned 23 March 2017)

**Principal activities**

During the financial year the principal continuing activities of the Consolidated Entity consisted of provision of podiatry goods and services.

**Dividends**

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

**Review of operations**

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to \$272,413 (30 June 2016: profit of \$181,717).

During the year, the Consolidated Entity underwent significant growth through the acquisitions of 28 podiatry service businesses. This included the acquisition of the Balance Podiatry Group on 1 December 2016. At the time of acquiring the Balance Podiatry Group, it owned and operated 12 podiatry clinics and 1 orthotic manufacturing laboratory. The investment provides the Consolidated Entity with the following key benefits:

1. Positions the Consolidated Entity as a clear leader within the podiatry industry and as the largest podiatry group in Australia;
2. Accelerated the acquisition program of the Consolidated Entity;
3. Added further depth to the Consolidated Entity's growing podiatry network.

The acquisition of the 4 Podiatry Care clinics in Adelaide was another significant acquisition made by the Consolidated Entity during the year. This provided the group with a strong presence in the Adelaide podiatry market.

The acquisitions made during the year contributed to the growth of the Consolidated Entity during the year. This was evidenced by revenue from operations of \$19,852,697 (30 June 2016: \$5,341,550) increased by 271.7% over the FY2016 results.

The acquisition of podiatry clinics will continue to be a key driver of growth of the Consolidated Entity into the future.

**Significant changes in the state of affairs**

On 1 December 2016, the Company acquired the Balance Podiatry Group, consisting of 12 podiatry clinics and 1 orthotic manufacturing laboratory.

During the year, the Company acquired four Podiatry Care clinics in Adelaide.

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

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**Matters subsequent to the end of the financial year**

Subsequent to 30 June 2017 and to the date of signing of this report, the following events have occurred:

**Acquisition of Remaining 50% Interest in Trepur Pty Ltd**

The Consolidated Group settled the acquisition of the remaining 50% interest in Trepur Pty Ltd on 4 July 2017. Total consideration for this acquisition was \$412,134 including \$56,646 in cash consideration and \$355,488 in share consideration.

**Acquisition of Remaining 50% Interest in Brisbane Podiatry & Footwear**

The Consolidated Group settled the acquisition of the remaining 50% interest in Brisbane Podiatry & Footwear Pty Ltd as trustee for the Brisbane Podiatry & Footwear Unit Trust on 8 July 2017. Total consideration for this acquisition was \$454,540 with the total purchase price paid in share consideration.

**Podiatry Clinic Acquisitions**

The Consolidated Group has completed the acquisition of fifteen podiatry clinics. Total consideration for these acquisition was \$5.832 million including \$3.872 million in cash consideration, \$1.615 million in clinic class share consideration and \$0.345 million in deferred consideration.

**Future Acquisitions and ASX Listing**

In addition, the Consolidated Group has begun work on a listing on the Australian Securities Exchange. Furthermore, the Consolidated Group has entered into agreements for the acquisition of additional clinics. The settlement of these acquisitions are expected to take place in conjunction with a listing on the Australian Securities Exchange no later than 31 December 2018.

The financial effects of these transactions have not been brought to account at 30 June 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

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.

**Environmental regulation**

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

**Shares under option**

There were no unissued ordinary shares of My FootDr (Aust) Pty Ltd under option outstanding at the date of this report.

**Shares issued on the exercise of options**

There were no ordinary shares of My FootDr (Aust) Pty Ltd issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

**Indemnity and insurance of officers**

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

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

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**Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**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.

This report is made in accordance with a resolution of Directors.

On behalf of the Director

A handwritten signature in dark ink, appearing to read 'Darren Stewart', with a stylized, cursive script.

Darren Stewart  
Director

31 July 2018

## **My FootDr (Aust) Pty Ltd**

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### **General information**

The financial statements cover My FootDr (Aust) Pty Ltd as a Consolidated Entity consisting of My FootDr (Aust) Pty Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is My FootDr (Aust) Pty Ltd's functional and presentation currency.

My FootDr (Aust) Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

#### **Registered office**

Unit 3 121 Newmarket Road  
Windsor QLD 4030

#### **Principal place of business**

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 31 July 2018.

**My FootDr (Aust) Pty Ltd**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2017**

	<b>Note</b>	<b>Consolidated 2017 \$</b>	<b>2016 \$</b>
<b>Revenue</b>	4	19,852,697	5,341,550
Share of profits of associates accounted for using the equity method	5	36,254	-
Other income	6	40,366	1
<b>Expenses</b>			
Cost of sales		(2,752,787)	(688,571)
Acquisition costs		(869,539)	(91,129)
Employee benefits expense		(10,179,009)	(2,570,041)
Depreciation and amortisation expense		(747,952)	(140,582)
Other expenses		(1,552,649)	(573,074)
Finance costs		(393,175)	(22,899)
Marketing costs		(697,911)	(185,666)
Occupancy costs		(2,251,547)	(680,715)
<b>Profit before income tax expense</b>		484,748	388,874
Income tax expense	7	(523,373)	(121,939)
<b>Profit/(loss) after income tax expense for the year</b>		(38,625)	266,935
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<u>(38,625)</u>	<u>266,935</u>
Profit/(loss) for the year is attributable to:			
Non-controlling interest		233,788	85,218
Owners of My FootDr (Aust) Pty Ltd	25	(272,413)	181,717
		<u>(38,625)</u>	<u>266,935</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		233,788	85,218
Owners of My FootDr (Aust) Pty Ltd		(272,413)	181,717
		<u>(38,625)</u>	<u>266,935</u>

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

**My FootDr (Aust) Pty Ltd**  
**Consolidated statement of financial position**  
**As at 30 June 2017**

	<b>Note</b>	<b>Consolidated 2017 \$</b>	<b>2016 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	781,740	355,859
Trade receivables	9	1,289,694	663,561
Inventories	10	2,600,949	871,466
Other current assets	11	176,059	85,472
<b>Total current assets</b>		<b>4,848,442</b>	<b>1,976,358</b>
<b>Non-current assets</b>			
Other financial assets	12	286,053	264,799
Property, plant and equipment	13	3,636,641	1,004,619
Intangibles	14	21,877,377	5,987,595
Deferred tax	7	365,408	181,539
<b>Total non-current assets</b>		<b>26,165,479</b>	<b>7,438,552</b>
<b>Total assets</b>		<b>31,013,921</b>	<b>9,414,910</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	1,991,031	916,306
Borrowings	16	11,317,016	2,335,519
Income tax	7	308,679	(61,726)
Employee benefit obligations	17	753,404	228,852
Other current liabilities	18	120,749	121,052
<b>Total current liabilities</b>		<b>14,490,879</b>	<b>3,540,003</b>
<b>Non-current liabilities</b>			
Borrowings	19	2,282,526	78,398
Deferred tax	7	228,067	46,706
Employee benefit obligations	20	83,345	41,267
Provisions	21	373,598	112,212
Other liabilities	22	87,027	40,270
<b>Total non-current liabilities</b>		<b>3,054,563</b>	<b>318,853</b>
<b>Total liabilities</b>		<b>17,545,442</b>	<b>3,858,856</b>
<b>Net assets</b>		<b>13,468,479</b>	<b>5,556,054</b>
<b>Equity</b>			
Issued capital	23	12,973,050	5,252,332
Reserves	24	90,399	33,068
Retained profits/(accumulated losses)	25	(90,696)	181,717
Equity attributable to the owners of My FootDr (Aust) Pty Ltd		12,972,753	5,467,117
Non-controlling interest	26	495,726	88,937
<b>Total equity</b>		<b>13,468,479</b>	<b>5,556,054</b>

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

**My FootDr (Aust) Pty Ltd**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2017**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Other Reserves \$</b>	<b>Retained profits \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</b>
Balance at 1 July 2015	-	-	-	-	-
Profit after income tax expense for the year	-	-	181,717	85,218	266,935
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	181,717	85,218	266,935
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 40)	-	33,068	-	-	33,068
Issue of ordinary shares as consideration for a business combination (note 36)	5,113,437	-	-	-	5,113,437
Contributions of equity, net of transaction costs (note 19)	138,895	-	-	-	138,895
Non-controlling interest on acquisition of subsidiary	-	-	-	33,719	33,719
Dividends paid to non-controlling interest	-	-	-	(30,000)	(30,000)
Balance at 30 June 2016	<u>5,252,332</u>	<u>33,068</u>	<u>181,717</u>	<u>88,937</u>	<u>5,556,054</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Other reserves \$</b>	<b>Retained profits \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</b>
Balance at 1 July 2016	5,252,332	33,068	181,717	88,937	5,556,054
Profit/(loss) after income tax expense for the year	-	-	(272,413)	233,788	(38,625)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(272,413)	233,788	(38,625)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 23)	1,220,175	-	-	-	1,220,175
Non-controlling interest on acquisition of subsidiary (note 36)	-	-	-	311,000	311,000
Equity settled share base payments	-	57,331	-	-	57,331
Non-controlling interest in subsidiary issued as consideration on acquisition of subsidiary (note 36)	-	-	-	67,001	67,001
Issue of ordinary shares as consideration for a business combination (note 36)	6,500,543	-	-	-	6,500,543
Dividends paid to non-controlling interest	-	-	-	(205,000)	(205,000)
Balance at 30 June 2017	<u>12,973,050</u>	<u>90,399</u>	<u>(90,696)</u>	<u>495,726</u>	<u>13,468,479</u>

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



**My FootDr (Aust) Pty Ltd**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2017**

	<b>Note</b>	<b>Consolidated 2017 \$</b>	<b>2016 \$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		19,587,960	4,614,913
Payments to suppliers and employees (inclusive of GST)		<u>(17,853,416)</u>	<u>(4,242,582)</u>
		1,734,544	372,331
Interest received		33	-
Interest and other finance costs paid		(393,175)	(22,899)
Income taxes (paid)/ refunded		<u>(336,837)</u>	<u>(318,498)</u>
Net cash from operating activities	39	<u>1,004,565</u>	<u>30,934</u>
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	36	(9,325,800)	(1,425,039)
Payments for property, plant and equipment	13	<u>(1,189,605)</u>	<u>(254,990)</u>
Net cash used in investing activities		<u>(10,515,405)</u>	<u>(1,680,029)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		10,369,626	-
Repayment of borrowings		(537,893)	(273,610)
Dividends paid non-controlling interest		(205,000)	(30,000)
Related party loans		<u>-</u>	<u>2,221,223</u>
Net cash from financing activities		<u>9,626,733</u>	<u>1,917,613</u>
Net increase in cash and cash equivalents		115,893	268,518
Cash and cash equivalents at the beginning of the financial year		<u>268,518</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>384,411</u></u>	<u><u>268,518</u></u>

*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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### **Basis of preparation**

These general purpose financial statements have been prepared for the purpose of presenting historical information in the prospectus to be issued by Healthia Limited. They have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), 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').

The financial statements, except for cash flow information, have been prepared on an accrual basis. The amounts presented in the financial statements have been rounded to the nearest dollar.

### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment 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.

### **Comparative Figures**

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

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of My FootDr (Aust) Pty Ltd ('Company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. My FootDr (Aust) Pty Ltd 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.

**Note 1. Significant accounting policies (continued)**

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.

**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 \$9,642,437 as at 30 June 2017 (2016: \$1,563,645). The reason for the working capital deficiency at 30 June 2017 is due to bank loans and related party loan totalling \$10,579,336 being classified as current. Bank loans are classified as current due to the annual review clause in the debt facility agreement. As at the date of the report, the bank loans had an expiry date of August 2019.

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon one or more of the following conditions:

- The successful listing of the Consolidated Entity on the ASX, resulting in a material increase in equity from the Initial Public Offer.
- The ability of the Consolidated Entity to secure an updated funding agreement from financiers upon listing on the ASX.
- The continued ability of the Consolidated Entity to derive positive cashflows from operating activities.

Whilst a material uncertainty in relation to going concern exists, the Directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- The Consolidated Entity intends to list on the ASX, resulting in a material increase in the equity of the Consolidated Group.
- The Consolidated Entity is in final discussion with financiers regarding a funding proposal for the Consolidated Group upon listing on the ASX.
- Subsequent to year end, the Consolidated Entity continues to derive positive cashflows from operating activities.
- While an annual review is conducted on the anniversary of the bank loan debt facility, the current bank loan facility agreement doesn't expire until August 2019.

Should the Consolidated Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Consolidated Group be unable to continue as a going concern.

**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.

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

**Note 1. Significant accounting policies (continued)**

**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. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

*Impairment of financial assets*

The Consolidated Entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

**Leases**

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

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

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

**Note 1. Significant accounting policies (continued)**

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

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

**Impairment of non-financial assets**

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

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

**Finance costs**

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

**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.

**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 2017. 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.

**Note 1. Significant accounting policies (continued)**

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Consolidated Entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Consolidated Entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

*AASB 16 Leases*

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

## **Note 2. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Share-based payment transactions*

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### *Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

### *Fair value measurement hierarchy*

The Consolidated Entity is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

### *Estimation of useful lives of assets*

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

### *Goodwill and other indefinite life intangible assets*

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

### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

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

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

*Income tax*

The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

*Recovery of deferred tax assets*

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

*Employee benefits provision*

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

*Lease make good provision*

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

*Business combinations*

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

**Note 3. Operating segments**

*Identification of reportable operating segments*

The Consolidated Entity operates one segment, being the operation of podiatry businesses across Australia. This is based on the internal reporting that are reviewed and used by the Chief Executive Officer (who is identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

As a result, the operating segment information is as disclosed in the statement and notes to the financial statements throughout the report.

**Note 4. Revenue**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Rendering of services	16,647,642	4,802,702
Sales of goods	3,205,055	538,848
Revenue	<u>19,852,697</u>	<u>5,341,550</u>



**Note 4. Revenue (continued)**

*Accounting policy for revenue recognition*

Revenue is recognised when it is probable that the economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Sale of goods*

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

*Rendering of services*

Revenue from the provision of services is recognised by reference to when the services have been provided.

**Note 5. Share of profits of associates accounted for using the equity method**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Share of profit - associates	36,254	-

**Note 6. Other income**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Net gain on disposal of property, plant and equipment	40,333	-
Interest income	33	1
Other income	40,366	1

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**Note 7. Income tax**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax expense</i>		
Current tax	636,233	171,626
Deferred tax - origination and reversal of temporary differences	(121,869)	(159,131)
Adjustment recognised for prior periods	9,009	62,738
Customer lists	-	46,706
	<u>523,373</u>	<u>121,939</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(121,869)	(159,131)
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
30%		
Profit before income tax expense	484,748	388,874
Tax at the statutory tax rate of 30%	145,424	116,662
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Capital Costs Expensed	316,186	27,339
Customer lists	-	46,706
Temporary differences brought to account	20,389	(131,506)
Sundry items	32,365	-
	<u>514,364</u>	<u>59,201</u>
Adjustment recognised for prior periods	9,009	62,738
Income tax expense	<u>523,373</u>	<u>121,939</u>

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**Note 7. Income tax (continued)**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	223,167	59,154
Accrued expenses	69,244	71,474
Blackhole Expenses	53,711	27,339
Unearned Franchise Revenue	19,286	23,572
Deferred tax asset	<u>365,408</u>	<u>181,539</u>
Amount expected to be settled within 12 months	271,309	135,128
Amount expected to be settled after more than 12 months	94,099	46,411
	<u>365,408</u>	<u>181,539</u>
Movements:		
Opening balance	181,539	-
Credited to profit or loss	121,869	159,131
Additions through business combinations (note 36)	62,000	22,408
Closing balance	<u>365,408</u>	<u>181,539</u>
	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer lists	228,067	46,706
Deferred tax liability	<u>228,067</u>	<u>46,706</u>
Amount expected to be settled after more than 12 months	<u>228,067</u>	<u>46,706</u>
Movements:		
Opening balance	46,706	-
Additions through business combinations (note 36)	181,361	46,706
Closing balance	<u>228,067</u>	<u>46,706</u>
	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Provision for income tax</i>		
Provision for income tax	<u>308,679</u>	<u>(61,726)</u>

**Note 7. Income tax (continued)**

*Accounting policy for income tax*

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

**Note 8. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	<u>781,740</u>	<u>355,859</u>
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
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:		
Balances as above	781,740	355,859
Bank overdraft (note 16)	(397,329)	(87,341)
Balance as per statement of cash flows	<u>384,411</u>	<u>268,518</u>

*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. Current assets - trade receivables**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	1,000,412	476,263
GST paid	237,032	159,502
	<u>1,237,444</u>	<u>635,765</u>
Receivable from associate	52,250	27,796
	<u>1,289,694</u>	<u>663,561</u>

  

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
0 to 60 days overdue	639,014	101,774
60 to 90 days overdue	15,264	236,105
Over 90 days overdue	346,134	138,384
	<u>1,000,412</u>	<u>476,263</u>

*Accounting policy for trade receivables*

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

**Note 10. Current assets - inventories**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Inventory	<u>2,600,949</u>	<u>871,466</u>

*Accounting policy for inventories*

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

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**Note 11. Current assets - other current assets**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Prepayments	103,070	14,442
Other current assets	72,989	71,030
	<u>176,059</u>	<u>85,472</u>

**Note 12. Non-current assets - other financial assets**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Investment in associates	286,053	264,799

**Note 13. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Leasehold improvements - at cost	1,708,209	399,580
Less: Accumulated depreciation	(211,206)	(57,221)
	<u>1,497,003</u>	<u>342,359</u>
Plant and equipment - at cost	3,618,416	1,352,373
Less: Accumulated depreciation	(1,478,778)	(690,113)
	<u>2,139,638</u>	<u>662,260</u>
	<u>3,636,641</u>	<u>1,004,619</u>

*Reconciliations*

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

<b>Consolidated</b>	<b>Plant &amp; Equipment \$</b>	<b>Leasehold Improvements \$</b>	<b>Total \$</b>
Balance at 1 July 2015	-	-	-
Additions	68,586	186,403	254,989
Additions through business combinations (note 36)	709,318	167,608	876,926
Depreciation expense	(115,644)	(11,652)	(127,296)
Balance at 30 June 2016	662,260	342,359	1,004,619
Additions	771,426	418,179	1,189,605
Additions through business combinations (note 36)	1,152,202	979,388	2,131,590
Disposals	(36,830)	-	(36,830)
Depreciation expense	(409,420)	(242,923)	(652,343)
Balance at 30 June 2017	<u>2,139,638</u>	<u>1,497,003</u>	<u>3,636,641</u>

**Note 13. Non-current assets - property, plant and equipment (continued)**

*Accounting policy for property, plant and equipment*

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

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

Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Plant and equipment under lease	2-5 years

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

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

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

**Note 14. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	21,208,506	5,831,910
Customer lists	773,507	168,971
Less: Accumulated amortisation	(108,895)	(13,286)
	<u>664,612</u>	<u>155,685</u>
Trademarks	4,259	-
	<u><u>21,877,377</u></u>	<u><u>5,987,595</u></u>

*Reconciliations*

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

<b>Consolidated</b>	Goodwill \$	Trademarks \$	Customer Lists \$	Total \$
Balance at 1 July 2015	-	-	-	-
Additions through business combinations (note 36)	5,831,910	-	168,971	6,000,881
Amortisation expense	-	-	(13,286)	(13,286)
Balance at 30 June 2016	5,831,910	-	155,685	5,987,595
Additions	-	4,259	-	4,259
Additions through business combinations (note 36)	15,376,596	-	604,536	15,981,132
Amortisation expense	-	-	(95,609)	(95,609)
Balance at 30 June 2017	<u><u>21,208,506</u></u>	<u><u>4,259</u></u>	<u><u>664,612</u></u>	<u><u>21,877,377</u></u>

**Note 14. Non-current assets - 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.

*Amortisation methods and useful lives*

The group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Customer lists: 5 years

*Goodwill*

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

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

*Customer lists*

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

*Impairment of goodwill*

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

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

*Impairment testing*

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

The key assumptions used for value-in-use calculations at 30 June 2017 are:

- Period of cash flow covered by management projections: 5 years
- Average revenue growth for the management projections period: 2.5%
- terminal growth rate beyond the management projections: 1.5%
- A pre-tax discount rate applied to cash flow based on the Consolidated Entity's specific weighted average cost of capital: 11.7%

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



**Note 15. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Trade payables	861,590	225,105
Accruals	629,899	218,536
Other creditors	415,026	364,987
GST collected	84,516	107,678
	<u>1,991,031</u>	<u>916,306</u>

Refer to note 28 for further information on financial instruments.

*Accounting policy for trade and other payables*

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Note 16. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Bank overdraft	397,329	87,341
Bank loans	10,369,626	-
Loan - Related Parties	209,710	2,245,223
Lease liability	340,351	2,955
	<u>11,317,016</u>	<u>2,335,519</u>

Refer to note 19 for further information on assets pledged as security and financing arrangements.

Refer to note 28 for further information on financial instruments.

*Accounting policy for Borrowings*

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

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

**Note 17. Current liabilities - employee benefit obligations**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Annual leave	621,670	228,852
Long service leave	131,734	-
	<u>753,404</u>	<u>228,852</u>

*Accounting policy for employee benefits*

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

**Note 18. Current liabilities - other current liabilities**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Deferred lease incentives	20,749	21,052
Deferred consideration	100,000	100,000
	<u>120,749</u>	<u>121,052</u>

*Accounting policy for deferred lease incentives*

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

*Accounting policy for deferred consideration*

The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. At each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

**Note 19. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Clinic class shares debt	1,694,494	64,000
Lease liability	588,032	14,398
	<u>2,282,526</u>	<u>78,398</u>

Refer to note 28 for further information on financial instruments.

**Note 19. Non-current liabilities - borrowings (continued)**

*Accounting policy for clinic class shares debt*

The clinic class shares debts represents the fair value of the consideration received in relation to clinic class shares issued. The clinic class share debts are initially recognised at the fair value of the consideration received, net of transaction costs. At each reporting date, the clinic class share debt is reassessed against fair value 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.

*Total secured liabilities*

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Bank overdraft	397,329	87,341
Bank loans	10,369,626	-
Clinic class shares debt	1,694,494	64,000
Loan - Related Parties	209,710	2,245,223
Lease liability	928,383	17,353
	<u>13,599,542</u>	<u>2,413,917</u>

*Assets pledged as security*

The bank overdraft and BOQ loans are secured by a fixed and floating charge over all assets of the Consolidated Group.

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

*Financing arrangements*

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Total facilities		
Bank overdraft	500,000	100,000
Bank Loans	11,169,626	-
Finance Lease/ loans Other	928,333	17,353
	<u>12,597,959</u>	<u>117,353</u>
Used at the reporting date		
Bank overdraft	397,329	87,341
Bank Loans	10,369,626	-
Finance Lease/ loans Other	928,333	17,353
	<u>11,695,288</u>	<u>104,694</u>
Unused at the reporting date		
Bank overdraft	102,671	12,659
Bank Loans	800,000	-
Finance Lease/ loans Other	-	-
	<u>902,671</u>	<u>12,659</u>

*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 19. Non-current liabilities - borrowings (continued)**

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

**Note 20. Non-current liabilities - employee benefit obligations**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Long service leave	<u>83,345</u>	<u>41,267</u>

*Accounting policy for other long-term employee benefits*

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

**Note 21. Non-current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Lease make good	<u>373,598</u>	<u>112,212</u>

*Lease make good*

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.

*Movements in provisions*

Movements in each class of provision (current and non-current) during the current financial year, other than employee benefits, are set out below:

	<b>Lease Make Good</b>
	<b>\$</b>
<b>Consolidated - 2017</b>	
Carrying amount at the start of the year	112,212
Additional provisions recognised	72,927
Additions through business combinations (note 36)	<u>188,459</u>
Carrying amount at the end of the year	<u><u>373,598</u></u>

**My FootDr (Aust) Pty Ltd**  
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**Note 22. Non-current liabilities - other liabilities**

	Consolidated 2017 \$	2016 \$
Deferred lease incentives	<u>87,027</u>	<u>40,270</u>

Deferred lease incentives

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

**Note 23. Equity - issued capital**

	2017 Shares	Consolidated 2016 Shares	2017 \$	2016 \$
Ordinary shares - fully paid	10,956,172	5,252,332	12,973,050	5,252,332
Non-recourse employee loan shares	719,166	719,166	-	-
	<u>11,675,338</u>	<u>5,971,498</u>	<u>12,973,050</u>	<u>5,252,332</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2015	-		-
Issue of ordinary shares - My FootDr Acquisition	4 December 2015	5,113,497	\$1.00	5,113,497
Issue of ordinary shares	4 December 2015	<u>138,835</u>	\$1.00	<u>138,835</u>
Balance	30 June 2016	5,252,332		5,252,332
Issue of ordinary shares - to extinguish related party loans	11 November 2016	1,220,175	\$1.00	1,220,175
Issue of ordinary shares - Balance Acquisition	2 December 2016	3,872,438	\$1.34	5,176,053
Issue of ordinary share - Podiatry Care Acquisition	31 March 2017	<u>611,227</u>	\$2.17	<u>1,324,490</u>
Balance	30 June 2017	<u>10,956,172</u>		<u>12,973,050</u>

*Movements in non-recourse employee shares (NRE)*

Details	Date	Shares	Issue price	\$
Balance	1 July 2015	-		-
Issue of NRE shares	4 December 2015	359,583	\$0.00	-
Issue of NRE shares	4 December 2015	<u>359,583</u>	\$0.00	<u>-</u>
Balance	30 June 2016	<u>719,166</u>		-
Balance	30 June 2017	<u>719,166</u>		<u>-</u>

*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 23. Equity - issued capital (continued)**

*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.

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.

*Non-recourse employee loan shares*

Details of shares issued under the Employee Loan Plan are provided in Note 40.

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

*Accounting policy for issued capital*

Ordinary shares are classified as equity.

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

**Note 24. Equity - reserves**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Share-based payments reserve	90,399	33,068

*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.

**Note 25. Equity - retained profits/(accumulated losses)**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Retained profits at the beginning of the financial year	181,717	-
Profit/(loss) after income tax expense for the year	(272,413)	181,717
Retained profits/(accumulated losses) at the end of the financial year	(90,696)	181,717

**Note 26. Equity - non-controlling interest**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Retained profits	<u>495,726</u>	<u>88,937</u>

**Note 27. Equity - dividends**

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

**Note 28. Financial instruments**

***Financial risk management objectives***

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and 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 forward foreign exchange contracts 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, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

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.

***Specific Financial Risk Exposures***

***Market risk***

***Foreign currency risk***

The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

***Price risk***

The Consolidated Entity is not exposed to any significant price risk.

***Interest rate risk***

The Consolidated Entity's main interest rate risk arises from long-term borrowings. 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.

For the Consolidated Entity the BOQ bank loans outstanding, totalling \$10.2 million (2016: \$0 million), are interest only loans. An official increase/decrease in interest rates of 1% (2016: 1%) basis points would have an adverse/favourable effect on profit before tax of \$102,000 (2016: \$0) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

**Note 28. Financial instruments (continued)**

***Credit risk***

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

***Liquidity risk***

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

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

***Financing arrangements***

Unused borrowing facilities at the reporting date:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Bank overdraft	102,671	12,659
Bank Loans	800,000	-
	<u>902,671</u>	<u>12,659</u>

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 2.5 years (2016: 0 years).

***Fair value of financial instruments***

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

**Note 29. Fair value measurement**

***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.



**Note 30. Key management personnel disclosures**

*Compensation*

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	835,104	232,299
Post-employment benefits	74,960	5,481
Long-term benefits	16,709	1,388
Share-based payments	28,467	16,534
	<u>955,240</u>	<u>255,702</u>

**Note 31. Remuneration of auditors**

During the financial year the following fees were payable for services provided by BDO, the auditor of the Company, and unrelated firms:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - BDO</i>		
Audit of the financial statements	<u>245,000</u>	<u>-</u>

**Note 32. Contingent liabilities**

The Consolidated Entity has given bank guarantees as at 30 June 2017 of \$373,700 to various landlords (2016: nil)

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**Note 33. Commitments**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Investment in Trepur Pty Ltd	412,134	-
Investment in Brisbane Podiatry and Footwear Unit Trust	454,540	-
	864,674	-
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,049,373	1,010,325
One to five years	6,325,876	3,071,609
More than five years	239,383	-
	<u>8,614,632</u>	<u>4,081,934</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	367,309	4,690
One to five years	618,796	15,266
	<u>986,105</u>	<u>19,956</u>
Total commitment	986,105	19,956
Less: Future finance charges	(57,722)	(2,603)
	<u>928,383</u>	<u>17,353</u>
Net commitment recognised as liabilities	<u>928,383</u>	<u>17,353</u>
Representing:		
Lease liability - current (note 16)	340,351	2,955
Lease liability - non-current (note 19)	588,032	14,398
	<u>928,383</u>	<u>17,353</u>

**Note 34. Related party transactions**

*Parent entity*

My FootDr (Aust) Pty Ltd is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 37.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 30.

**Note 34. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Payment for rental:		
Rental expense paid to related parties	469,829	365,933
Payment for other expenses:		
Consulting fees paid to other related party	-	169,231

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Current borrowings:		
Loan from other related party	209,710	2,245,223

*Terms and conditions*

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

**Note 35. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(882,810)	(294,861)
Total comprehensive income	(882,810)	(294,861)

**Note 35. Parent entity information (continued)**

*Statement of financial position*

	<b>Parent</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Total current assets	1,638,660	1,064,437
Total assets	27,158,347	8,669,775
Total current liabilities	13,456,441	3,590,600
Total liabilities	13,684,460	3,648,305
Equity		
Issued capital	14,667,544	5,316,331
Accumulated losses	(1,193,657)	(294,861)
Total equity	13,473,887	5,021,470

*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 in the current or previous financial years presented.

*Contingent liabilities*

The parent entity had no contingent liabilities in the current or previous financial years presented.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment in the current or previous financial years presented.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Note 36. Business combinations**

*Podiatry Clinics*

During the year ended 30 June 2017, the Consolidated Group acquired 100% of the businesses of nine podiatry clinics in Australia for the total consideration transferred of \$5.947 million including \$4.827 million in cash consideration and \$1.120 million in share consideration.

*Balance Podiatry*

On 1 December 2016, the Consolidated Group acquired a majority of the shares and units in the entities that owned and operated the businesses of ten podiatry clinics know as Balance Podiatry for the total consideration transferred of \$5.176 million paid via share consideration.

*Podiatry Care*

On 31 March 2017, the Consolidated Group acquired 100% of the of businesses of five podiatry clinics know as Podiatry Care for the total consideration transferred of \$5.869 million including \$4.114 million in cash consideration, \$1.755 million in share consideration.

**Note 36. Business combinations (continued)**

*DBS Medical*

On 1 May 2017, the Consolidated Group acquired 50% of the ordinary shares of DBS Medical Pty Ltd, which operates a medical supply wholesaler in Australia. Total consideration for the acquisitions was \$0.452 million with cash consideration of \$0.385 million and \$0.067 million in the non-controlling interest of Foot Care Solutions Australia Pty Ltd.

*Financial Contribution*

The acquired businesses contributed revenues of \$10.175 million (2016: \$5.342 million) and profit after tax of \$1.784 million (2016: \$0.347 million) to the Consolidated Group for the period from the date of the acquisition to 30 June 2017. If the above acquisitions had occurred on 1 July 2016 (the beginning of the financial year), the adjusted Consolidated Group consolidated revenue would have been \$33.039 million (2016: \$10.884 million) and the Consolidated Group consolidated profit after tax would have been \$2.759 million (2016: \$0.502 million).

Details of the acquisition made in the 2017 financial year are as follows:

	\$'000				
	Podiatry Clinics Fair value \$	Balance Podiatry Fair value \$	Podiatry Care Fair value \$	DBS Medical Fair value \$	Total Fair value \$
Cash and cash equivalents	-	(60)	-	(150)	(210)
Trade receivables	-	199	-	310	509
Inventories	120	948	108	731	1,907
Other current assets	9	364	6	-	379
Property, plant and equipment	445	1,348	230	109	2,132
Customer lists	160	325	88	31	604
Deferred tax asset	39	-	24	-	63
Trade payables	-	(435)	-	(402)	(837)
Provision for income tax	-	(9)	-	32	23
Deferred tax liability	(48)	(98)	(26)	(9)	(181)
Employee benefits	(129)	(124)	(80)	-	(333)
Other current liabilities	-	(349)	(53)	(47)	(449)
Bank loans	-	-	-	(173)	(173)
Hire purchase	-	-	-	(45)	(45)
Lease liability	-	(822)	-	-	(822)
Lease make good	(60)	(104)	(25)	-	(189)
Less: non-controlling interest	-	(117)	-	(194)	(311)
Net assets acquired	536	1,066	272	193	2,067
Goodwill	5,411	4,110	5,597	259	15,377
Acquisition-date fair value of the total consideration transferred	<u>5,947</u>	<u>5,176</u>	<u>5,869</u>	<u>452</u>	<u>17,444</u>
Representing:					
Cash paid or payable to vendor	4,827	-	4,114	385	9,326
My FootDr (Aust) Pty Ltd ordinary shares issued to vendor	-	5,176	1,324	-	6,500
Non-controlling interest	-	-	-	67	67
My FootDr (Aust) Pty Ltd clinic class shares issued to vendor	1,120	-	431	-	1,551
	<u>5,947</u>	<u>5,176</u>	<u>5,869</u>	<u>452</u>	<u>17,444</u>

*My FootDr*

**Note 36. Business combinations (continued)**

On 1 December 2015, the Group acquired a majority share of the My FootDr entities that owned and operate the businesses of twelve podiatry clinic for the total consideration of \$5,114,000.

*Podiatry Clinics*

During the year ended 30 June 2016, the Consolidated Group acquired 100% of the businesses of two podiatry clinics in Australia for the total consideration transferred of \$1.589 million including \$1.425 million in cash consideration and \$0.064 million in clinic class share consideration.

Details of the acquisition made in the 2016 financial year are as follows:

	My FootDr Group Fair value \$	\$'000 Podiatry Clinics Fair value \$	Total Fair value \$
Cash and cash equivalents	30	-	30
Trade receivables	353	-	353
Inventories	671	66	737
Property, plant and equipment	523	354	877
Customer lists	105	64	169
Deferred tax asset	26	22	48
Other non-current assets	222	4	226
Trade payables	(663)	-	(663)
Provision for income tax	(120)	-	(120)
Employee benefits	(201)	(75)	(276)
Lease make good provision	(106)	(17)	(123)
Lease liability	(23)	-	(23)
Other liabilities	(330)	-	(330)
Less: non-controlling interest	(34)	-	(34)
Net assets acquired	453	418	871
Goodwill	4,661	1,171	5,832
Acquisition-date fair value of the total consideration transferred	<u>5,114</u>	<u>1,589</u>	<u>6,703</u>
Representing:			
Cash paid or payable to vendor	-	1,425	1,425
My FootDr (Aust) Pty Ltd shares issued to vendor	5,114	-	5,114
Deferred consideration	-	100	100
My FootDr (Aust) Pty Ltd clinic class shares issued to vendor	-	64	64
	<u>5,114</u>	<u>1,589</u>	<u>6,703</u>

*Accounting policy for business combinations*

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

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

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

**Note 36. Business combinations (continued)**

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

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

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

**Note 37. Interests in subsidiaries**

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
My FootDr (Brookwater) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Camp Hill) Pty Ltd	Australia	100.00%	100.00%
My FootDr Granda Pty Ltd	Australia	100.00%	100.00%
My FootDr (Fortitude Valley) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Indooroopilly) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Mackay) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Newmarket) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Oxenford) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Redcliffe) Pty Ltd	Australia	100.00%	100.00%
My FootDr (Shailer Park) Pty Ltd	Australia	100.00%	100.00%
MyFootDr Administration Pty Ltd	Australia	100.00%	100.00%
Orthema Australasia Pty Ltd	Australia	100.00%	100.00%
Footwear Enterprises Pty Ltd	Australia	100.00%	100.00%
PinPointe FootLaser Australia Pty Ltd	Australia	100.00%	100.00%
MFD IP Pty Ltd	Australia	100.00%	100.00%
Mackay Foot Centre Pty Ltd as trustee for the Mackay Foot Centre Unit Trust	Australia	100.00%	-
iOrthotics Pty Ltd	Australia	100.00%	-
Balpod Holdings Pty Ltd	Australia	100.00%	-
My FootDr (Cleveland) Pty Ltd	Australia	50.00%	50.00%
D.B.S. Medical Pty Ltd	Australia	50.00%	-
Foot Care Solutions Australia Pty Ltd	Australia	50.00%	100.00%
Trepar Pty Ltd	Australia	50.00%	-
Brisbane Podiatry & Footwear Pty Ltd as trustee for Brisbane Podiatry & Footwear Unit Trust	Australia	50.00%	-

**Note 38. Events after the reporting period**

Subsequent to 30 June 2017 and to the date of signing of this report, the following events have occurred:

**Acquisition of Remaining 50% Interest in Trepar Pty Ltd**

The Consolidated Group settled the acquisition of the remaining 50% interest in Trepar Pty Ltd on 4 July 2017. Total consideration for this acquisition was \$412,134 including \$56,646 in cash consideration and \$355,488 in share consideration.

**Note 38. Events after the reporting period (continued)**

**Acquisition of Remaining 50% Interest in Brisbane Podiatry & Footwear**

The Consolidated Group settled the acquisition of the remaining 50% interest in Brisbane Podiatry & Footwear Pty Ltd as trustee for the Brisbane Podiatry & Footwear Unit Trust on 8 July 2017. Total consideration for this acquisition was \$454,540 with the total purchase price paid in share consideration.

**Podiatry Clinic Acquisitions**

The Consolidated Group has completed the acquisition of fifteen podiatry clinics. Total consideration for these acquisition was \$5.832 million including \$3.872 million in cash consideration, \$1.615 million in clinic class share consideration and \$0.345 million in deferred consideration.

**Future Acquisitions and ASX Listing**

In addition, the Consolidated Group has begun work on a listing on the Australian Securities Exchange. Furthermore, the Consolidated Group has entered into agreements for the acquisition of additional clinics. The settlement of these acquisitions are expected to take place in conjunction with a listing on the Australian Securities Exchange no later than 31 December 2018.

The financial effects of these transactions have not been brought to account at 30 June 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

**Note 39. Reconciliation of profit/(loss) after income tax to net cash from operating activities**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) after income tax expense for the year	(38,625)	266,935
Adjustments for:		
Depreciation and amortisation	747,952	140,582
Share of profit - associates	(36,254)	-
Change in operating assets and liabilities:		
Decrease/ (Increase) in trade and other receivables	(117,133)	(138,893)
Decrease/ (Increase) in inventories	177,517	(134,623)
Decrease/ (Increase) in prepayments and other assets	267,159	(161,333)
Decrease/ (Increase) in deferred tax asset	(120,869)	(123,698)
(Decrease)/ Increase in trade and other payables	(660,578)	354,755
(Decrease)/ Increase in provision for income tax	370,405	(182,096)
(Decrease)/ Increase in employee benefits	233,630	(37,401)
(Decrease)/ Increase in deferred tax liabilities	181,361	46,706
Net cash from operating activities	<u>1,004,565</u>	<u>30,934</u>

The above reconciliation excludes those assets and liabilities acquired as part of a business combinations during the year.

**Note 40. Share-based payments**

During the period and as at 30 June 2017, the Consolidated Entity maintained one share based payment scheme, being the Employee Incentive (Share Loan) Plan.

*Employee Incentive (Loan Shares) Plan*

The Consolidated Entity's Employee Incentive (Loan Share) Plan was approved by shareholders in December 2015. A summary of the key terms and conditions of the plan are:



**Note 40. Share-based payments (continued)**

- Loan shares are shares in the Company, otherwise ranking pari passu in all respects with the ordinary issued shares of the company, where the subscription price is funded by way of a loan from the Company;
- Offers under the plan are at the absolute discretion of the Board;
- The subscription price will be equal to the market price of the Company's shares at the time of the invitation offer to the employee;
- Financial assistance is provided to participants by way of a limited recourse interest free loan to acquire the shares;
- The Company retains security over the Loan Shares whilst ever there is an amount outstanding under the loan;
- Loan Shares that have not vested and/ or are subject to loan repayment will be restricted from trading;
- The Loan Shares will vest subject to meeting certain conditions including meeting EBITDA targets for the Consolidated Entity. Vesting periods are determined by the Board and are generally 5 years in duration.

Under the applicable Accounting Standards, The Loan Shares are related limited recourse loans are accounted for as options, which give rise to share based payment expense. The treatment of the Loan Shares under the applicable Accounting Standards as options requires that the value of the loans and issue price of the shares are not recorded as Loans Receivable or Share Capital of the Consolidated Entity until repayment or part repayment of the loans occurs. The Consolidated Entity has recognised an after tax, non-cash share-based payment of \$57,933 during the financial year (2016: \$33,068) with a corresponding credit to Shareholders' Equity in the form of a Share-Based Payments Reserve.

The Loan Shares are valued using the Black-Scholes options pricing model. The key valuation assumptions for the Loan Shares currently issued under the plan are as follows:

- Share price at grant date: \$0.99 per share
- Volatility: 33.27%
- Risk free investment rate: 2.84%
- Fair value at grant date: \$0.99 per share
- Exercise price at grant date: \$0.99 per share
- Exercisable from: 30 June 2019
- Exercisable to: 1 December 2023

The underlying expected volatility was determined by reference to those comparable ASX listed companies over a period of time.

The number of shares issued under the Consolidated Entity's Employee Incentive (Loan Share) Plan, at the reporting date was 719,166 (2016: 719,166)

**My FootDr (Aust) Pty Ltd**  
**Directors' declaration**  
**30 June 2017**

In the Directors' opinion:

- the attached financial statements and notes comply with the Accounting Standards 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 present fairly in all material respects the consolidated entity's financial position as at 30 June 2017 and 30 June 2016 and of its performance and cashflows for the financial years ended on 30 June 2017 and 30 June 2016;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.

On behalf of the Directors



Darren Stewart  
Director

31 July 2018

## INDEPENDENT AUDITOR'S REPORT

To the directors of My FootDr (Aust) Pty Ltd

### Report on the Audit of the Financial Report

#### Qualified opinion

We have audited the financial report of My FootDr (Aust) Pty Ltd (the Entity) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017 and 30 June 2016, 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 and the Directors' declaration.

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 30 June 2017 and 30 June 2016, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

#### Basis for qualified opinion

We were not appointed as auditors of the Group until after 30 June 2017 and thus did not observe the counting of physical inventories at the beginning and end of the years ended 30 June 2016 and 30 June 2017. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 30 June 2016 and 2017, which are stated in the consolidated statement of financial position at \$871,466 and \$2,600,949, respectively.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of inventories, and the elements making up the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

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 Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### **Material uncertainty related to going concern**

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

### **Other information**

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 on the other information obtained prior to the date of this auditor's report, 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 and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the Financial Report**

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



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

[http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf)

This description forms part of our auditor's report.

**BDO Audit Pty Ltd**

A handwritten signature in black ink, appearing to read 'C K Henry', is written over a faint, stylized 'BDO' logo.

**C K Henry**

Director

Brisbane, 31 July 2018