Healthia Limited and its Controlled Entities
Appendix 4D
Half-year report

1. Company details

Name of entity:	Healthia Limited
ACN:	626 087 223
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	39.7%	to	60,807
Profit from ordinary activities after tax attributable to the owners of Healthia Limited	up	632.8%	to	4,910
Profit for the half-year attributable to the owners of Healthia Limited	up	632.8%	to	4,910

	31 Dec 2020 Cents	31 Dec 2019 Cents
Basic earnings per share	7.10	1.06
Diluted earnings per share	6.79	1.02

Dividends
2021 Interim Dividend Declared
As at the date of signing the financial report, the Directors of Healthia Limited have recommended the payment of an interim fully franked dividend of 2.00 cents per share to the ordinary shareholders of Healthia Limited.

Dates for the 2021 interim dividend declared are as follows:
- Ex-Date: Tuesday, 2 March 2021;
- Record date: Wednesday, 3 March 2021;
- DRP Election Date: Thursday, 4 March 2021; and
- Payment date: Tuesday, 23 March 2021.

A fully underwritten Dividend Reinvestment Plan will operate for the 2021 Interim Dividend. A 2.5% discount will apply to the Dividend Reinvestment Plan for the interim dividend. A copy of the Dividend Reinvestment Plan rules can be found on Healthia's website at the following address: *https://healthia.com.au/s/Dividend-Reinvestment-Plan-Rules.pdf*.

2020 Final dividend paid
The FY2020 final dividend of 2.00 cents per share was paid on 28 September 2020.

Comments
The profit for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $4,910,000 (31 December 2019: $670,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(55.85)	(35.77)

Calculated as follows:

	Consolidated 31 Dec 2020 $'000	Consolidated 31 Dec 2019 $'000
Net assets	90,697	54,271
Less: Intangibles	(135,637)	(74,206)
Less: Deferred tax asset	(4,858)	(9,788)
Add: Deferred tax liability	-	7,175
Net tangible assets	(49,798)	(22,548)
Total shares issued	89,163,851	63,034,653

4. Control gained over entities

Refer to note 16 for details of business combinations in the year.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
2021 Interim Dividend Declared
As at the date of signing the financial report, the Directors of Healthia Limited have recommended the payment of an interim fully franked dividend of 2.00 cents per share to the ordinary shareholders of Healthia Limited.

Dates for the 2021 interim dividend declared are as follows:
- Ex-Date: Tuesday, 2 March 2021;
- Record date: Wednesday, 3 March 2021;
- DRP Election Date: Thursday, 4 March 2021; and
- Payment date: Tuesday, 23 March 2021.

A fully underwritten Dividend Reinvestment Plan will operate for the 2021 Interim Dividend. A 2.5% discount will apply to the Dividend Reinvestment Plan for the interim dividend. A copy of the Dividend Reinvestment Plan rules can be found on Healthia's website at the following address: *https://healthia.com.au/s/Dividend-Reinvestment-Plan-Rules.pdf*.

2020 Final Dividend Paid
The FY2020 final dividend of 2.00 cents per share was paid on 28 September 2020.

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

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The legal parent company, Healthia Limited, has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a discount to the market price, as the Directors may determine. A 2.5% discount will apply to the DRP for the interim dividend and the DRP pricing period will be a period of 5 trading days commencing on the Ex-Date.

Record Date
The register closes for determination of dividend entitlement at 5:00pm AEST on 3 March 2021. The deadline for notifying a change to participation in the DRP is 5:00pm AEST on 4 March 2021.

Ex-Dividend Date
The ex-dividend date is 2 March 2021.

The plan can be downloaded from:
investors.healthia.com.au/investor-centre/?page=corporate=governance

8. Details of associates and joint venture entities

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

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

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

11. Attachments

Details of attachments (if any):

The Half Year Financial Report of Healthia Limited for the half-year ended 31 December 2020 is attached.

12. Signed

Signed ______________________________ Date: 25 February 2021

Glen Frank Richards
Director

Healthia Limited and its Controlled Entities

ACN 626 087 223

Half Year Financial Report - 31 December 2020 (H121)

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Healthia Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

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

Dr Glen Frank Richards
Paul David Wilson
Lisa Jane Dalton
Wesley James Coote
Darren Lindsey Stewart
Anthony Peter Ganter
Colin Kangisser (appointed 30 November 2020)

Principal activities

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

- the operation of podiatry businesses throughout Australia through the Feet and Ankles division;
- the operation of physiotherapy businesses throughout Australia through the Bodies and Minds division; and
- the operation of optometry businesses throughout Australia through the Eyes and Ears division (from 1 December 2020 to 31 December 2020).

Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Final dividend for the year ended 30 June 2020 of 2 cents per ordinary share	1,210	-

2021 Interim Dividend Declared

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

Review of operations

The profit for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $4,910,000 (31 December 2019: $670,000).

1. Significant Changes for the Period ended 31 December 2020

During the half-year period ended 31 December 2020 ('H121'), the following significant changes occurred which should be considered when interpreting the financial performance and position of the Consolidated Entity.

Acquisition of The Optical Company

The Consolidated Entity successfully completed the acquisition of The Optical Company Pty Ltd (ABN 85 115 778 366) and its wholly owned subsidiaries and controlled entities ('TOC') on 30 November 2020, representing 41 optical stores and eyewear frame distributor, Australian Eyewear Distributors (‘AED’). The acquisition created a third operating segment for the Consolidated Entity, being the Eyes and Ears division. Furthermore, the acquisition increased the targeted addressable industry revenue from $6.3bn to $9.2bn, with the Consolidated Entity holding less than 1.5% of this addressable industry revenue.

The increase in acquisition-date fair value of consideration from the contract price of $43.00 million is due to an increase in the share price from $0.95 per share at time of signing Share Sale Documentation (and pre capital raising/public announcement of the deal) and the share price of $1.29 at the date of settlement. This share price increase resulted in a $3.36 million increase in acquisition-date fair value of consideration. The remaining difference in purchase consideration is due to cash and working capital delivered in the acquired entities at settlement.

HLA shares were issued to the Vendors and are subject to voluntary escrow for between 6 months and 24 months.

TOC is expected to contribute annualised Revenue and Earnings Before Interest, Tax, Depreciation and Amortisation, removing the impacts of AASB16 ('EBITDA') of $35.81 million and $5.69 million respectively on a pro-forma basis. During H121, TOC's financial performance is included for the period 1 December 2020 to 31 December 2020 only.

Acquisition of Bodies and Minds Clinics
The Consolidated Entity acquired an additional 6 physiotherapy clinics during H121. Initial consideration paid for the acquisitions was $5.79 million including $4.80 million in cash consideration, $0.99 million in Clinic Class Share consideration[1], with up to an additional $0.20 million payable in contingent consideration.

These clinics are expected to contribute annualised Revenue and EBITDA[2] of $7.38 million and $1.39 million respectively on a pro-forma basis.

(1) Clinic Class Shares are non-voting shares issuable by certain subsidiaries of Healthia Limited. These shares enable the holder to participate in dividends declared, calculated on the performance of the clinic in which the Clinic Class Shares are issued. The Clinic Class Shares are designed to create alignment between the interests of clinicians and shareholders.
(2) EBITDA includes the approximate 17.0% economic interest continued to be owned by Clinic Class Shareholders.

Acquisition of Feet and Ankles Clinics
The Consolidated Entity acquired an additional 6 retail footwear stores and 1 podiatry clinic during H121. Initial consideration paid for the acquisitions was $4.31 million including $2.99 million in cash consideration, $1.32 million in ordinary Healthia Limited share consideration, with up to an additional $1.35 million payable in contingent consideration.

HLA shares were issued to the Vendors of the 6 retail footwear stores at 95 cents per share and are to be held in voluntary escrow for 22 months.

These clinics are expected to contribute annualised Revenue and EBITDA of $5.87 million and $0.90 million respectively on a pro-forma basis.

JobKeeper Wage Subsidies
The Australian Government announced the JobKeeper legislation on 30 March 2020 which provided entities with a $1,500 a fortnight subsidy per qualifying employee if the entity had seen a reduction in trading revenue of more than 30%. The Consolidated Entity qualified for JobKeeper payments from April to September 2020, however, did not re-qualify under the revised eligibility criteria and the receipt of JobKeeper ceased in September 2020.

The Consolidated Entity has recorded $7.61 million of JobKeeper payments as Other Income in H121. In accordance with the legislation, $2.54 million of these subsidies were passed directly through to employees where they did not work sufficient hours to be paid more than the subsidy received ($1,500 per fortnight).

The effects of COVID-19 are ongoing with outbreaks resulting in several State Government imposed lockdowns. Despite the Consolidated Entity ceasing to receive JobKeeper payments in September 2020, the financial flexibility of the payments received continues to ensure that:

- continuity of patient care is maintained for those who needed these essential health care services;
- the essential health care services provided are available to the communities the Consolidated Entity operates in, allowing pressure to be taken off hospitals and other primary care and front-line health workers;
- the livelihoods of the Consolidated Entity's employees are not materially affected. The Consolidated Entity has continued to pay employees their contracted hours during several lockdowns during FY21 where State Government mandated lockdowns have forced clinic closures or significantly reduced trading hours (e.g. South Australia in November 2020, Queensland in January 2021, Western Australia and Victoria in February 2021).

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

Capital Raising
To assist with the funding of the acquisition of TOC, a capital raising was undertaken via a non-renounceable pro-rata entitlement offer at 95 cents per share. The offer was split into the two following components:
- The Institutional Entitlement Offer, which completed on 3 November 2020, raised approximately $9.5 million through the issue of 9,983,740 new Healthia Limited ordinary shares; and
- The Retail Entitlement Offer, which completed on 17 November 2020, raised approximately $3.7 million through the issue of 3,939,372 new Healthia Limited ordinary shares.

Performance rights
On 30 October 2020, 378,500 unlisted performance rights were granted to key management personnel with a nil grant and exercise price. The performance rights will vest on 31 August 2023 (subject to satisfaction of the relevant vesting conditions) and expire on 31 October 2023. The vesting conditions include a number of performance and service conditions.

On 1 December 2020, following shareholder approval at the 2020 Annual General Meeting, 282,500 unlisted performance rights were granted to Directors, Wesley Coote and Anthony Ganter, with a nil grant and exercise price. The performance rights will vest on 31 August 2023 (subject to satisfaction of the relevant vesting conditions) and expire on 31 October 2023. The vesting conditions include a number of performance and service conditions.

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

Vesting conditions for Performance Rights

Service condition	The performance rights will only be exercisable upon satisfaction of the Service condition, being continuous employment with the Company from Grant Date until the Vesting Date.
EPS Growth condition	The Company's compounding annual growth in underlying Earnings Per Share (underlying EPS) for the period from 1 July 2020 to 30 June 2023 greater than 10% per annum. The underlying EPS results to be used will be the Basic EPS recorded in the Company's audited financial statements in the relevant years, adjusted for one-off and non-recurring items and the amortisation of customer lists, as determined by the Board in its discretion. 50% of the Performance Rights will be exercisable if this condition is achieved. EPS Growth condition - The Company's compounding annual growth in underlying Earnings Per Share (underlying EPS) for the period from 1 July 2020 to 30 June 2023 greater than 10% per annum. The underlying EPS results to be used will be the Basic EPS recorded in the Company's audited financial statements in the relevant years, adjusted for one-off and non-recurring items and the amortisation of customer lists, as determined by the Board in its discretion. 50% of the Performance Rights will be exercisable if this condition is achieved.
Total Shareholder Return condition	Total Shareholder Return (TSR) to exceed 150% for the period from 1 July 2020 to 30 June 2023, with TSR calculated as follows: TSR = (Price End – Price Begin + Dividends)/Price Begin Where Price Begin = share price at 1 July 2020 Price End = share price as at 30 June 2023; and Dividends = total dividends paid per share during the period from 1 July 2020 to 30 June 2023. 50% of the Performance Rights will be exercisable if this condition is achieved.

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

Where shares are issued upon the vesting and exercise of the performance rights (within the periods detailed above), those shares will rank equally with existing ordinary shares of Healthia Limited. To participate in a dividend, the ordinary shares must be issued prior to the record date for the dividend.

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

Grant date	*Expiry date*	*Number under rights*
1 December 2020	31 October 2023	282,500
30 October 2020	31 October 2023	378,500
27 November 2019	31 October 2022	2,543,358
Total		**3,204,358**

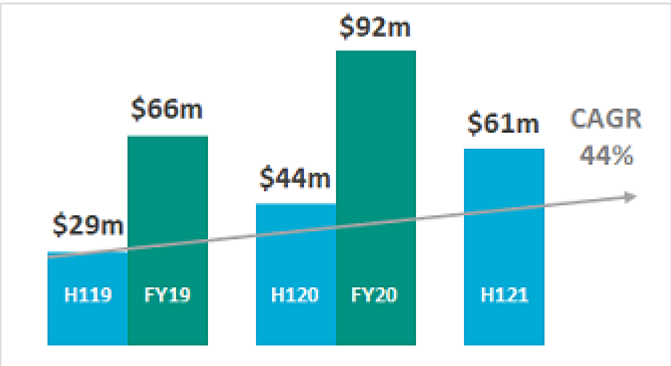
No person entitled to exercise the performance rights had or has any right to participate in any share issue of the Company or of any other body corporate.

2. Financial Highlights

The financial highlights for H121 for the Consolidated Entity are the follows:

- H121 revenue of $61.48 million (excluding government subsidies), representing growth of 39% over the period ended 31 December 2020 ("H120"). Compounding Annual Growth Rate ("CAGR") of 44% since listing on the Australian Stock Exchange in September 2018 ("Listing"). Shown in Chart 1 below.

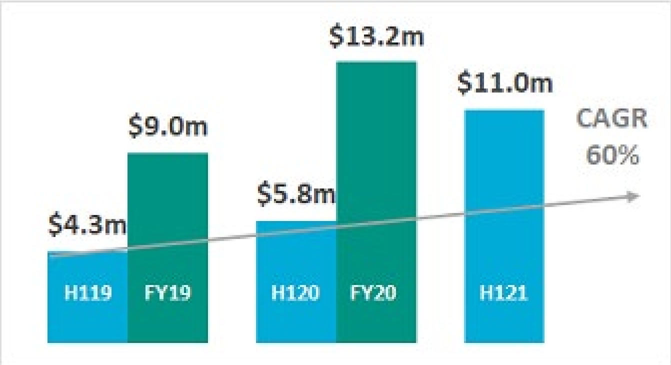
Chart 1: Revenue from 31/12/2018 to 31/12/2020



Note: HY refers to Half Year periods. FY refers to Full Year periods.

- Underlying H121 EBITDA (removing the impact of AASB16) of $10.98 million, representing growth of 91% over H120. CAGR of 60% since Listing. Shown in Chart 2 below.

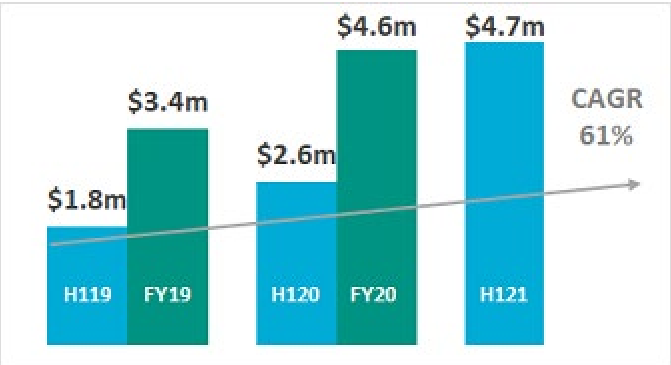
Chart 2: Underlying EBITDA from 31/12/2018 to 31/12/2020



Note: HY refers to Half Year periods. FY refers to Full Year periods.

- Underlying H121 NPATA of $4.75 million, representing growth of 86% over H120. CAGR of 61% since Listing. Shown in Chart 3 below.

Chart 3: Underlying NPATA from 31/12/2018 to 31/12/2020



Note: HY refers to Half Year periods. FY refers to Full Year periods.

- Underlying H121 Basic EPS of 6.86 cents per share, representing growth of 78% over H120.
- Strong organic revenue growth of 14.5%.
- Increase in finance facility from $50.0 million to $70.0 million.

3. Operational Highlights

Operational highlights for H121 are as follows:

- Robust organic growth of 14.5%, comprised of 15.3% in Bodies and Minds division, 13.8% in Feet and Ankles division and 10.5% in the Eyes and Ears division (the later contributing only one month under the Consolidated Entity's ownership);
- Acquisition of The Optical Company, representing 41 optical stores and eyewear frame distributor, AED (the Consolidated Entity's results for the H121 period include 1 month of TOC trading). These clinics are expected to contribute annualised Revenue and EBITDA of $35.81 million and $5.69 million respectively on a pro-forma basis;
- Acquisition of 6 physiotherapy clinics, 6 retail footwear stores and 1 podiatry clinic. These clinics are expected to contribute annualised Revenue and EBITDA of $13.25 million and $2.29 million respectively on a pro-forma basis;
- Opening of a new greenfield multidisciplinary allied health clinic in Bundaberg, Queensland. The clinic opened on the 25 January 2021 and offers a range of services including physiotherapy, clinical Pilates, exercise physiology, podiatry, occupational therapy, speech pathology and remedial massage. The clinic was profitable in its first month of operation;
- Clinician staff retention rate of 92% (FY20: 85%);
- 60 new graduate health professionals have commenced in 2021, comprising 27 physiotherapy graduates, 14 podiatry graduates, 10 occupational therapist graduates, 5 exercise physiologist graduates, 3 speech pathologists and 1 dietitian. All new graduates attended the graduate induction and training, held between 5 - 7 February 2021. The graduates support the Consolidated Entity's continued organic growth; and
- Clinic Class Share ownership grew to a total of 2,759 Clinic Class Shares on issue for the period ended 31 December 2020, from 2,505 as at 30 June 2020. The corresponding number of CCS owners also increased from 88 to 96.

As set out in Table 1 below, during H121 the Consolidated Entity acquired 55 allied health businesses (42 Eyes and Ears businesses, 7 Feet and Ankles businesses and 6 Bodies and Minds businesses) and deployed capital of $59.9 million at an average EBITDA (removing the impact of AASB16) multiple of 7.51x.

Table 1: Summary of Acquisitions between 1 July 2020 and 31 December 2020
This table has not been audited/ reviewed

			Consideration					
	Revenue	EBITDA[1,2]	Cash	Clinic Class Shares[3]	Ordinary Shares[3]	Contingent Consideration	Total Consideration	EBITDA[1,2] Multiple* (before group support costs)
	$'000's	$'000's	$'000's		$'000's	$'000's	$'000's	
Feet & Ankles	6,288	947	2,990	0	1,322	1,350	5,661	6.0x
Bodies & Minds	7,379	1,390	4,802	990	0	203	5,994	4.3x
Eyes & Ears	35,810	5,690	32,449	0	12,732	3,075	48,256	8.5x
Total	49,477	8,028	40,240	990	14,053	4,628	59,911	7.5x

Notes

1. Revenue and EBITDA numbers are based on a historical 12 months of trading, normalised in accordance with Healthia's acquisition and accounting policies, removing the impacts of AASB16.

2. EBITDA means Earnings before Interest, Tax, Depreciation and Amortisation, removing the impacts of AASB16. EBITDA excludes the impact of minority interests which continue to be owned by Clinic Class Shareholders.

3. Clinic Class Shares are non-voting shares issuable by certain subsidiaries of Healthia Limited. These shares enable the holder to participate in dividends declared, calculated on the performance of the clinic in which the Clinic Class Shares are issued. The Clinic Class Shares are designed to create alignment between the interests of clinicians and shareholders.

From 1 January 2021 to 25 February 2021, the Consolidated Entity has also announced the following subsequent events:

- Settled the acquisition of an additional 3 physiotherapy clinics in South Australia on 4 February 2021. Consideration for the acquisition was $1.427 million including $1.142 million in cash consideration and $0.285 million in Clinic Class Share consideration. These clinics are expected to contribute annualised Revenue and EBITDA of $2.528 million and $0.435 million respectively; and
- Binding agreement reached to acquire an additional physiotherapy clinic in Victoria with customary conditions precedent. Consideration for the acquisition is $1.542 million including $1.234 million in cash consideration and $0.308 million in Clinic Class Share consideration. The acquisition is expected to contribute annualised Revenue and EBITDA of $1.76 million and $0.32 million respectively and is expected to settle before 31 March 2021.

4. Financial Overview – Statutory Performance

The H121 statutory performance compared to the prior comparative period (Half-year ended 31 December 2019 ('H120')) is shown in Table 2 below.

Table 2: 31 December 2020 statutory performance compared to the prior comparative period.

	31/12/2020 $'000's	31/12/2019 $'000's	Change $'000's	Change %
Revenue and Other Income	69,085	44,264	24,821	56.1%
Net profit before income tax expense	11,565	1,877	9,688	516.1%
Net profit after income tax expense	7,676	1,403	6,273	447.1%
Non-controlling interest (NCI)	2,766	733	2,033	277.3%
NPAT attributable to the owners of Healthia Limited[1]	**4,910**	**670**	**4,240**	**632.9%**
EPS (cents)[2]	7.10	1.06	6.04	569.8%

1. Net profit after income tax expense, net of Non-Controlling Interest (NCI)
2. EPS or earnings per share is calculated as NPAT attributable to the owners of Healthia Limited divided by the weighted average number of ordinary shares on issue for the period (H121: 69,151,735, H120: 63,034,653).

Revenue and Other Income

The Consolidated Entity's revenue and other income increased by 56.1% to $69.08 million (H120: $44.26 million), in comparison to the prior comparative period. This increase in revenue can be attributed to the following drivers:

- Acquisitions:
  The 55 acquired allied health businesses during the H121 period (comprising 42 Eyes and Ears businesses, 7 Feet and Ankles businesses, and 6 Bodies and Minds businesses). H121 includes one month of TOC ownership.
- Strong organic growth(1):
  Organic growth of 14.5% comprising 15.3% in Bodies and Minds Division, 13.8% in Feet and Ankles Division and 10.5% in the newly acquired Eyes and Ears Division(2). The organic growth can be attributed to the following:
  - the resilient, repeatable nature of the income of the Consolidated Entity and essential nature of allied health services provided;
  - consumer behaviours, including increased health consciousness and limited consumer travel due to COVID-19 related travel restrictions and
  - benefits being received, due to the organic initiatives of the Consolidated Entity, such as targeted marketing and patient/ customer attraction, conversion, retention strategies, structured education and professional development strategies and the introduction of additional services into existing clinics.
- JobKeeper subsidies:
  $7.61 million of JobKeeper payments is recognised as Other Income in the current period.

(1) Organic revenue growth has been calculated by excluding any closed businesses, businesses not held during the prior period and JobKeeper related payments. Organic growth is a non-IFRS financial measure and has not been audited/reviewed.

(2) Organic revenue growth for the acquired Optical Company Pty Ltd has been calculated as if the Consolidated Entity had owned the businesses for the prior corresponding period. It excludes any closed businesses, businesses not held during the prior period and JobKeeper related payments.

Profit Attributable to Non-Controlling Interests

The Consolidated Entity's non-controlling interest in H121 of $2.77 million (H120: $0.73 million) represents growth over the prior period of $2.03 million or 277.3%. The increase in non-controlling interest can be attributed to the following factors:

- *JobKeeper subsidies:*
  JobKeeper payments related to team members in each of the Consolidated Entity's clinics. As such, JobKeeper payments were applied to the clinic in which the team member works. This has increased the non-controlling interest's share of profit for 31 December 2020. These payments were non-recurring and ceased once JobKeeper payments ceased being received by the Consolidated Entity on 27 September 2020.

- *Increase in Clinic Class Shareholder ('CCS') ownership:*
  CCS ownership has grown to a total of 2,759 Clinic Class Shares on issue for the period ended 31 December 2020, from 2,382 as at 31 December 2019. All Clinic Class Shares were issued to clinicians as either part consideration of a newly acquired clinic and / or for consideration.

5. Financial Overview - Underlying Performance

To assist users, information about the underlying performance of the Consolidated Entity is presented, which excludes the impact of acquisition and integration costs, adjusted for the impacts of 'COVID-19' and other one-off non-recurring income and expenses. The Directors believe that this information is useful for investors and shareholders as it presents the Consolidated Entity's financial performance as if these transactions had not occurred.

The underlying performance is provided on an unaudited basis in Table 3 and a reconciliation between statutory and underlying performance is provided further below in Table 5.

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

Table 3: Underlying 31 December 2020 performance compared to the prior comparative period

This table has not been audited/reviewed	*31/12/2020 $'000's Underlying 2*	*31/12/2019 $'000's Underlying 2*	*Change $*	*Change %*
Revenue 1	61,475	44,264	17,211	38.9%
Underlying EBITDA 3,4 (removing impact of AASB16)	10,983	5,760	5,223	90.7%
Underlying net profit before income tax expense	8,928	3,354	5,574	166.2%
Underlying net profit after income tax expense	5,863	2,880	2,983	103.6%
Amortisation expense	387	282	105	37.2%
Underlying NPATA 5	6,250	3,162	3,088	97.7%
Non-controlling interest (NCI)	1,741	733	1,008	137.5%
Net post-tax P&L impact of AASB16 adoption 6	237	130	107	82.3%
Underlying NPATA attributable to the owners of Healthia Limited (removing impact of AASB16) 5	**4,746**	**2,559**	**2,187**	**85.5%**
Underlying EBITDA margin (removing impact of AASB16) 3,4	17.87%	13.01%	4.86%	486 bps
Underlying NPATA margin (removing impact AASB16) 5	7.72%	5.78%	1.94%	194 bps
Underlying Basic EPS (cents, removing impact AASB16) 7	6.86	3.85	3.01	78.2%
NCI / Underlying NPATA 8	27.86%	23.18%	4.68%	468 bps

Notes

1. Revenue (underlying) excludes non-recurring incomes, i.e. Government Grants ($7,606,000) and Interest ($4,000).
2. Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Entity, in accordance with AICD/Finsia principles of recording underlying profit. Underlying profit has not been audited or reviewed.
3. Underlying EBITDA is a non-IFRS measure and equals earnings before interest, tax, depreciation and amortisation.
4. Underlying EBITDA has been adjusted for the impacts of AASB16. Lease payments of $4.64m have been included to provide users with a like for like comparison to H120.
5. Underlying NPATA is a non-IFRS measure and equals net profit after income tax expense plus amortisation of customer list intangibles.
6. The net post-tax P&L impact of the new leasing standard, AASB16, has been added back to NPATA to provide users with a like for like comparison to H120. The pre-tax impact of AASB 16 'Leases' in the current period is comprised of the following: occupancy costs decreased by $4.64M, depreciation expense increased by $4.13M, and finance costs increased by $0.84M.
7. Underlying EPS or earnings per share is calculated as NPATA attributable to the owners of Healthia Limited divided by the weighted average number of ordinary shares on issue for the period (H121: 69,151,735, H120: 63,034,653).
8. Non-Controlling Interest ($1,741,000) divided by Underlying NPATA ($6,250,000).

Revenue

The Consolidated Entity's revenue increased by $17.21 million, or 38.9%, to $61.48 million (excluding government subsidies), in comparison to H120 revenue of $44.26 million. This increase in revenue can be attributed to the following drivers:

- *Acquisitions:*
  The 55 acquired allied health businesses during the H121 period (comprising 42 Eyes and Ears businesses, 7 Feet and Ankles businesses, and 6 Bodies and Minds businesses);

- *Strong organic growth(1):*
  Organic growth of 14.5% comprising 15.3% in Bodies and Minds Division, 13.8% in Feet and Ankles Division and 10.5% in the newly acquired Eyes and Ears Division(2). The organic growth can be attributed to the following:
  - the resilient, repeatable nature of the income of the Consolidated Entity and essential nature of allied health services provided;
  - consumer behaviour, including increased health consciousness and limited consumer travel due to COVID-19 related travel restrictions; and
  - benefits being received due to organic initiatives of the Consolidated Entity such as targeted marketing and patient/ customer attraction, conversion, retention strategies, structured education and professional development strategies and the introduction of additional services into existing clinics.

(1) Organic revenue growth has been calculated by excluding any closed businesses, businesses not held during the prior period and JobKeeper related payments. Organic growth is a non-IFRS financial measure and has not been audited/reviewed.

(2) Organic revenue growth for the acquired Optical Company Pty Ltd has been calculated as if the Consolidated Entity had owned the businesses for the prior corresponding period. It excludes any closed businesses, businesses not held during the prior period and JobKeeper related payments.

Underlying EBITDA

The Consolidated Entity's underlying 31 December 2020 EBITDA (excluding the impact of AASB 16) of $10.98 million (H120: $5.76 million) represents growth over the prior period of $5.22 million or 90.7%. The increase in underlying EBITDA is primarily driven by the following:

- Acquisitions:
  The 55 acquired allied health businesses during the H121 period;

- Strong organic growth:
  Organic revenue growth of 14.5% achieved by the Consolidated Entity; and

- Margin improvement:
  Margin improvement achieved from improved cost controls by the Consolidated Entity.

Underlying Non-Controlling Interest

The Consolidated Entity's non-controlling interest in H121 EBITDA of $1.74 million (H120: $0.73 million) represents growth over the prior period of $1.01 million or 137.5%. The increase in non-controlling interest is primarily due to the following:

- Increase in Clinic Class Shareholder ownership:
  Increase in Clinic Class Share ('CCS') ownership from newly acquired clinics settled by the Consolidated Entity during the period and the introduction of clinicians as new CCS owners (for consideration). CCS ownership has grown to a total of 2,759 Clinic Class Shares on issue for the period ended 31 December 2020 (H120: 2,382). All Clinic Class Shares were issued to clinicians as either part consideration of a newly acquired clinic and / or for consideration;

- During the current period, Clinic Class Shares on issue increased to represent an economic interest of approximately 27.86% (H120: 23.18%) in the underlying NPATA of the Consolidated Entity (calculated as NCI / underlying NPATA detailed in Table 3).

Note that underlying non-controlling interest excludes distributions related to non-recurring JobKeeper payments which ceased once JobKeeper payments were no longer received by the Consolidated Entity on 27 September 2020. A reconciliation of Underlying Non-Controlling Interest to Statutory Non-Controlling Interest is detailed in Table 4 below.

Table 4: Underlying Profit Attributable to Non-Controlling Interests

This table has not been audited / reviewed	*31/12/2020*	*31/12/2019*
	$'000's	*$'000's*
Statutory non-controlling interest	2,766	733
Less: Non-recurring distributions of JobKeeper payments to Clinic Class Shareholders[1]	1,025	-
Underlying non-controlling interest	1,741	733

(1) The JobKeeper payments distributed to Clinic Class Shareholders were net of income tax payable.

Underlying NPATA and Earnings per Share
The Consolidated Entity's underlying NPATA of $4.75 million (H120: $2.56 million) represents growth over the prior period of 86%.

Underlying EPS[1] of 6.86 cents per share for H121, represents growth of 78% over H120.

(1) Underlying EPS or earnings per share is calculated as NPATA attributable to the owners of Healthia Limited divided by the weighted average number of ordinary shares on issue for the period (H121: 69,151,735, H120: 63,034,653).

6. Financial Overview – Reconciliation from Underlying NPATA to Statutory NPAT

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

Table 5: Reconciliation of Underlying NPATA to Statutory NPAT

Note	*This table has not been audited / reviewed*	*31/12/2020*
		$'000's
1	**Underlying NPATA attributable to the owners of Healthia Limited (including adoption of AASB16)[1]**	**4,746**
2	Less: Acquisition & one-off costs	(2,209)
3	Less: Share-based payments expense and associated costs	(258)
4	Less: Bad debt expense	(100)
5	Less: NCI attributed to Jobkeeper	(1,025)
6	Less: Net impact of AASB16	(237)
7	Less: Amortisation	(387)
	Less: Net tax expense	(1,211)
8	Plus: Net income from JobKeeper	5,591
	Statutory NPAT attributable to the owners of Healthia Limited	**4,910**

(1) Underlying NPATA is a non-IFRS measure and equals net profit after income tax expense plus amortisation of customer list intangibles. Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Entity, in accordance with AICD/Finsia principles of recording underlying profit. Underlying NPATA has not been audited;
(2) The Consolidated Entity incurred a number of one-off acquisition and integration costs in relation to the acquisition of the 55 allied health businesses acquired;
(3) Share-based payments relate to the one-off grant of Performance Rights to key clinicians and administration staff, but excludes the costs associated with the executive performance rights (as these form part of the Consolidated Entity's ongoing remuneration structure). Further detail is provided in Table 6;
(4) Bad debt expense relates to the one-off impairment of a loan receivable;
(5) Distribution to Non-Controlling Interests of JobKeeper payments ceased once JobKeeper payments were no longer received by the Consolidated Entity on the 27 September 2020. The Consolidated Entity made a conscious decision to support its clinic partners and employees through the COVID-19 period and pass on JobKeeper payments (net of income tax) to its minority equity partners;
(6) The adoption of AASB 16 '*Leases*' had a significant impact on the current period financial performance. This impact is comprised of the following changes due the adoption of AASB 16: occupancy costs decreased by $4.64M, depreciation expense increased by $4.13M, and finance costs increased by $0.84M;
(7) Amortisation of customer lists and software intangibles during the current period; and
(8) Income from JobKeeper ($7,606,000) less non-recurring costs incurred during the COVID-19 pandemic e.g. JobKeeper top-ups and other payments to employees ($2,015,000). Under JobKeeper, eligible employees who are ordinarily paid less than $1,500 per fortnight must be paid a 'top-up' to bring their taxable gross income to at least $1,500 per fortnight for pay days within the JobKeeper fortnights.

Table 6: Share-based Payments Expense and Associated Costs (pre-tax)

This table has not been audited / reviewed	*31/12/2020*
	$'000's
Performance rights expense - key management personnel	11
Performance rights expense - key clinicians & support staff	166
Compliance & advisory costs relating to performance rights	93
Total	270

7. Cash Flow

The Consolidated Entity's underlying cash flow conversion for the financial year is detailed in Table 7 below.

Table 7: Underlying cash flow conversion for the period ended 31 December 2020.

This table has not been audited / reviewed	*31/12/2020*	*31/12/2019*
	$'000's	*$'000's*
Underlying EBITDA 1,2	10,983	5,760
Changes in working capital	(776)	760
Underlying Operating Cash Flows (pre-tax, ungeared) 3	11,759	5,000
Conversion (%)	107.1%	86.8%

1. Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the consolidated entity, in accordance with AICD/Finsia principles of recording underlying profit. Underlying profit has not been audited or reviewed.

2. Underlying EBITDA excludes the impact from the adoption of AASB16 on lease payments of $4.64M.

3. Underlying operating cash flows (pre tax, ungeared) reflects statutory operating cash flows less lease payments of $4.64M, less government grants of $10.79M, add finance costs of $1.57M, add tax of $2.17M, add acquisition and integration costs ($2.21M), add JobKeeper top-up & COVID-19 related wage expenses of $2.02M and add one-off bad debt expense of $0.1M.

The Consolidated Entity produced strong underlying cash flow to underlying EBITDA (removing the impact of AASB 16) conversion of 107.1% during the period (H120: 86.8%).

8. Funding

In February 2021, the Consolidated Entity signed formal documentation to increase its total finance facility from $50.0 million to $70.0 million. As part of this facility increase, the National Australia Bank (NAB) has become party to the existing finance facility, with current lenders Australia and New Zealand Bank (ANZ) and the Bank of Queensland Limited (BOQ) remaining in place. The facility term was extended to January 2024, providing three-year tenor.

The increased facility size and tenor, as well as the addition of the National Australia Bank to the Consolidated Entity's finance facility, provides further capacity to continue the stated strategy of pursuing value accretive acquisition opportunities.

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

Note that for the purposes of bank covenant calculations:
- Adjusted EBITDA adjusts for the earnings contribution of recent acquisitions where the businesses have not been held for a 12 month period; and
- AASB 16 'Leases' does not apply and covenants are calculated as they were prior to the adoption of this new accounting standard by the Consolidated Entity.

The Consolidated Entity continues to remain in compliance with banking covenants as at the date of reporting.

9. Business Overview

The focus of the Consolidated Entity is to operate and expand a network of allied health businesses in Australia, with a key focus on Feet and Ankles, Bodies and Minds, and Eyes and Ears.

At the reporting date, the Consolidated Entity owned and operated 207 businesses across the following business divisions:
- Feet and Ankles (F&A): comprising 94 podiatry clinics, 6 retail footwear stores (trading as Natural Fit Footwear), 2 orthotics laboratories (trading as iOrthotics) and an allied health wholesale supplies business (trading as D.B.S. Medical);
- Bodies and Minds (B&M): comprising 48 physiotherapy clinics and 14 hand therapy clinics; and
- Eyes and Ears (E&E): comprising 41 optometry stores and 1 wholesale eyewear frame distribution business (trading as AED).

This takes the total number of allied health businesses owned by the Consolidated Entity, from 108 at 31 December 2018 to 207 at 31 December 2020, representing portfolio growth of 92%.

The Consolidated Entity's portfolio has diversified by clinical service and geography since 31 December 2018. In particular:
- The concentration of Feet & Ankles businesses has reduced from 69% at 31 December 2018 to 50% at 31 December 2020. See Chart 4 below; and
- The concentration of clinics located in Queensland has reduced from 67% at 31 December 2018 to 53% at 31 December 2020. See Chart 5 below.

Chart 4: Divisional Breakdown of Businesses Owned by the Consolidated Entity from 31/12/2018 to 31/12/2020

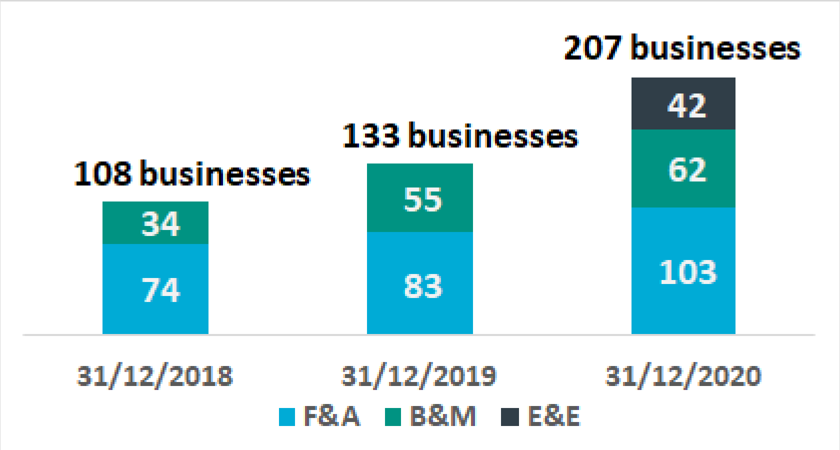
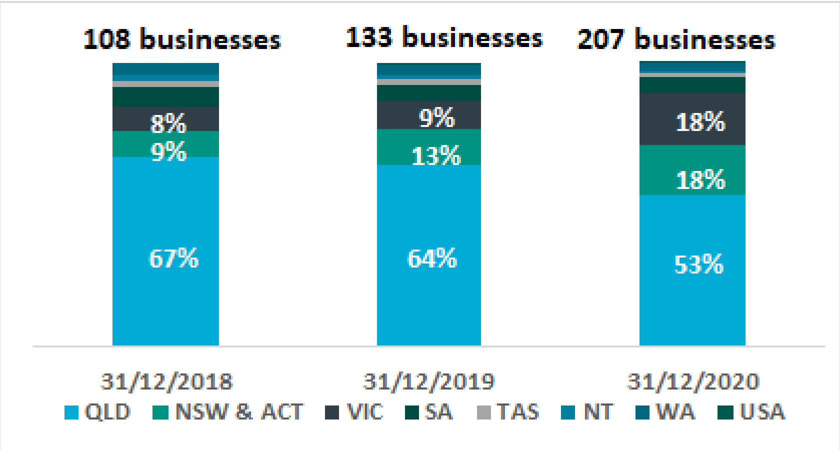


Chart 5: Geographic Breakdown of Businesses Owned by the Consolidated Entity from 31/12/2018 to 31/12/2020



The acquisition of The Optical Company and the addition of optometry increases the Consolidated Entity's total addressable revenue market from $6.5 billion to $9.8 billion(1) ($2.7 billion(2) in Feet and Ankles, $3.8 billion(3) in Bodies and Minds, $3.3 billion(4) in Eyes and Ears) with the Consolidated Entity holding approximately 1.5% total addressable market share (<2.5% in Feet and Ankles, <1.5% in Bodies and Minds, <1.5% in Eyes and Ears).

(1) Total addressable revenue has only been included for industries where information was available or reliable. Addressable industries revenue excludes address industry revenue from Australian insole market, Australian allied health wholesale supplies, Australian optical eyewear supplies and Australian retail footwear.

(2) Australian Podiatry Industry Revenue of $864m (Source: IBISWorld Industry Report Q8539 dated December 2016) + Insole United States Industry Revenue of $1.8bn (Source: Transparency Market Research, "Foot Orthotic Insoles Market - Global Industry Analysis, Size, Share, Growth, Trends, and Forecast, 2018–2026")

(3) Australian Physiotherapy Industry Revenue of $2.5bn (Source: IBISWorld Industry Report Q8533 dated September 2020) + Other Allied Health Services in Australia Industry Revenue of $1.3bn (Source: IBISWorld AU Industry (ANZSIC) Report Q8533 dated September 2020)

(4) Australian Optometry Industry Revenue of $2.2bn which is equal to the industry revenue of $3.8bn less the market share held by Luxottica and Specsavers (Source: IBISWorld Industry Report Q8532 dated February 2020) + Audiology AUD Industry Revenue of $1.1bn (Source: IBISWorld Industry Report Q8539 dated December 2016)

10. Outlook

Organic Growth
The success of the Consolidated Entity's businesses is the result of putting its people first. The Consolidated Entity will continue to provide clinicians with industry leading education, tools and support and continue to develop industry leading career opportunities for all team members. This is expected to continue to drive strong organic performance into the future.

The Consolidated Entity will focus on continuing to build on the momentum created from organic growth activities, including further enhancing its centralised support functions, finding additional opportunities to co-locate services, introducing services into existing locations and work on new ways to engage its teams.

Integration of The Optical Company Pty Ltd
The continued integration of recently acquired The Optical Company remains a focus of the Consolidated Entity for the remainder of the financial year.

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

Due to the +51% increase in the addressable industry revenue from $6.5 billion to $9.8 billion, the Consolidated Entity has revised its target of deployed capital on new acquisition each year from >$15.0 million to >$20.0 million.

Funding
The Consolidated Entity expects to use a combination of the following to fund the >$20.0 million of capital to be deployed on acquisitions each year:
- Undrawn debt amount: headroom of $24.3M in the finance facility with ANZ, NAB and BOQ;
- Future operating cash flow: underlying operating cash flows of $11.76 million were generated during H121; and
- Clinic Class Shares: non-voting shares, which provide the holder with an economic interest in the performance of the Clinic they work in and assist with the retention of key clinicians.

11. Interim Dividend Declared

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

Dates for the 2021 interim dividend are as follows:
- Ex-dividend date: 2 March 2021;
- Record date: 3 March 2021;
- DRP Election Date: 4 March 2021; and
- Payment date: 23 March 2021.

A 2.5% discount will apply to the Dividend Reinvestment Plan for the interim dividend. A copy of the Dividend Reinvestment Plan rules can be found on Healthia’s website at the following address: *https://healthia.com.au/s/Dividend-Reinvestment-Plan-Rules.pdf*.

Significant changes in the state of affairs

Acquisition of The Optical Company (Eyes and Ears Division)
Healthia successfully completed the acquisition of The Optical Company ('TOC') on 30 November 2020, representing 41 optical stores and eyewear frame distributor, AED (note: the Company’s unaudited results for the period ending 31 December 2020 include 1 month of TOC trading).

Initial consideration paid for the acquisitions was $45.18 million including $32.45 million in cash consideration, $12.73 million in ordinary Healthia Limited share consideration, with up to an additional $3.08 million payable in deferred consideration.

These clinics are expected to contribute Revenue and EBITDA (less lease payments or pre-AASB 16 change) of $35.81M and $5.69M respectively on a pro-forma basis.

Acquisition of Bodies and Minds Clinics
The Consolidated Entity acquired an additional 7 physiotherapy clinics since 30 June 2020. Initial consideration paid for the acquisitions was $5.79 million including $4.80 million in cash consideration, $0.99 million in clinic class share consideration, with up to an additional $0.20 million payable in contingent consideration.

These clinics are expected to contribute Revenue and EBITDA (less lease payments or pre-AASB 16 change) of $7.38M and $1.39M respectively on a pro-forma basis.

Acquisition of Feet and Ankles Clinics
The Consolidated Entity acquired an additional 6 retail footwear stores and 1 podiatry clinic since 30 June 2020. Initial consideration paid for the acquisitions was $4.31 million including $2.99 million in cash consideration, $1.32 million in ordinary Healthia Limited share consideration, with up to an additional $1.35 million payable in contingent consideration.

These clinics are expected to contribute Revenue and EBITDA (less lease payments or pre-AASB 16 change) of $5.87 million and $0.90 million respectively on a pro-forma basis.

Capital Raising
On 30 October 2020, it was announced that Healthia had entered into a binding agreement to acquire The Optical Company, a leading Australian optometry business.

To assist with the funding of the acquisition, a capital raising was undertaken via a non-renounceable pro-rata entitlement offer at 95 cents per share. The offer was split into the two following components:
- The Institutional Entitlement Offer, which completed on 3 November 2020, raised approximately $9.5 million through the issue of 9,983,740 new Healthia ordinary shares; and
- The Retail Entitlement Offer, which completed on 17 November 2020, raised approximately $3.7 million through the issue of 3,939,372 new Healthia ordinary shares.

Performance rights
On 30 October 2020, 378,500 unlisted performance rights were granted to key management personnel with a nil grant and exercise price. The performance rights will vest on 31 August 2023 (subject to satisfaction of the relevant vesting conditions) and expire on 31 October 2023. The vesting conditions include a number of performance and service conditions.

On 1 December 2020, 282,500 unlisted performance rights were granted to Directors, Wesley Coote and Anthony Ganter, with a nil grant and exercise price. The performance rights will vest on 31 August 2023 (subject to satisfaction of the relevant vesting conditions) and expire on 31 October 2023. The vesting conditions include a number of performance and service conditions.

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

Final dividend
The FY2020 final dividend of 2.00 cents per share was paid on 28 September 2020.

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

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

Auditor's independence declaration

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

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

On behalf of the directors

Glen Frank Richards
Director

25 February 2021

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

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

DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF HEALTHIA LIMITED

As lead auditor for the review of Healthia Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 25 February 2021

General information

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

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

Level 4 East Tower
25 Montpelier Road
Bowen Hills QLD 4006

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2021.

Healthia Limited and its Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	Consolidated 31 Dec 2020 $'000	Consolidated 31 Dec 2019 $'000
Revenue from contracts with customers	3	60,807	43,524
Other income	4	8,278	740
Expenses			
Raw materials and consumables used		(5,347)	(3,406)
Employee benefits expense		(37,162)	(26,746)
Occupancy costs		(1,535)	(970)
Marketing costs		(575)	(586)
Other expenses		(3,196)	(2,840)
Impairment of receivables		(143)	(195)
Acquisition and integration costs		(2,209)	(1,311)
Share-based payments expense and associated costs		(270)	(52)
Depreciation expense		(5,128)	(4,691)
Amortisation expense		(387)	(282)
Finance costs		(1,568)	(1,308)
Profit before income tax expense		11,565	1,877
Income tax expense		(3,889)	(474)
Profit after income tax expense for the half-year		7,676	1,403
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		7,676	1,403
Profit for the half-year is attributable to:			
Non-controlling interest		2,766	733
Owners of Healthia Limited		4,910	670
		7,676	1,403
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		2,766	733
Owners of Healthia Limited		4,910	670
		7,676	1,403
		Cents	Cents
Basic earnings per share	17	7.10	1.06
Diluted earnings per share	17	6.79	1.02

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

Healthia Limited and its Controlled Entities
Consolidated statement of financial position
As at 31 December 2020

	Note	Consolidated 31 Dec 2020 $'000	Consolidated 30 Jun 2020 $'000
Assets			
Current assets			
Cash and cash equivalents		7,145	4,159
Trade and other receivables		4,303	6,398
Inventories		7,794	3,736
Other current assets		1,887	932
Total current assets		21,129	15,225
Non-current assets			
Investments accounted for using the equity method		-	19
Property, plant and equipment	5	12,352	7,676
Right-of-use assets	6	41,839	24,216
Intangibles	7	135,637	79,275
Deferred tax		4,858	2,874
Total non-current assets		194,686	114,060
Total assets		215,815	129,285
Liabilities			
Current liabilities			
Trade and other payables		11,940	5,728
Lease liabilities		11,476	7,203
Income tax		6,530	2,808
Employee benefit obligations		6,492	3,970
Provisions		538	281
Other current liabilities	8	5,625	1,845
Total current liabilities		42,601	21,835
Non-current liabilities			
Borrowings	9	45,695	26,735
Lease liabilities		34,175	20,549
Derivative financial instruments		240	224
Employee benefit obligations		440	332
Provisions		1,615	754
Other non-current liabilities	8	352	1,000
Total non-current liabilities		82,517	49,594
Total liabilities		125,118	71,429
Net assets		90,697	57,856
Equity			
Issued capital	10	77,867	49,884
Reserves	11	(3,920)	(4,190)
Retained profits/(accumulated losses)		1,907	(1,793)
Equity attributable to the owners of Healthia Limited		75,854	43,901
Non-controlling interest	12	14,843	13,955
Total equity		90,697	57,856

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

Healthia Limited and its Controlled Entities
Consolidated statement of changes in equity
For the half-year ended 31 December 2020

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019	49,884	(4,395)	(4,211)	8,877	50,155
Profit after income tax expense for the half-year	-	-	670	733	1,403
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	670	733	1,403
Transactions with owners in their capacity as owners:					
Issue of performance rights	-	32	-	-	32
Contributions of clinic class shares	-	-	-	707	707
Issue of clinic class shares as consideration for business combinations (note 16)	-	-	-	3,303	3,303
Buy-back of clinic class shares	-	-	-	(588)	(588)
Distributions paid to non-controlling interest	-	-	-	(741)	(741)
Balance at 31 December 2019	49,884	(4,363)	(3,541)	12,291	54,271

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2020	49,884	(4,190)	(1,793)	13,955	57,856
Profit after income tax expense for the half-year	-	-	4,910	2,766	7,676
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	4,910	2,766	7,676
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 10)	12,669	-	-	-	12,669
Issue of ordinary shares as consideration for acquisition of non-controlling interest, net of transaction costs (note 10)	14,053	-	-	-	14,053
Issued as part of Dividend Reinvestment plan	1,261	-	-	-	1,261
Issue of Performance Rights	-	270	-	-	270
Contributions of clinic class shares	-	-	-	497	497
Issue of clinic class shares as consideration for business combinations (note 16)	-	-	-	990	990
Transactions with non-controlling interests	-	-	-	(331)	(445)
Distributions paid to non-controlling interest	-	-	-	(3,034)	(3,034)
Dividends paid (note 13)	-	-	(1,210)	-	(1,210)
Balance at 31 December 2020	77,867	(3,920)	1,907	14,843	90,697

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

Healthia Limited and its Controlled Entities
Consolidated statement of cash flows
For the half-year ended 31 December 2020

	Note	Consolidated 31 Dec 2020 $'000	31 Dec 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		64,625	44,971
Payments to suppliers and employees (inclusive of GST)		(52,563)	(37,404)
		12,062	7,567
Interest received		4	-
Government grants (Covid-19)		10,792	-
Interest and other finance costs paid		(1,568)	(1,308)
Income taxes paid		(2,174)	(314)
Net cash from operating activities		19,116	5,945
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	16	(37,664)	(7,758)
Payments of contingent business purchases consideration	14	(1,496)	(500)
Payments for investments		-	(36)
Payments for property, plant and equipment	5	(1,221)	(726)
Proceeds from disposal of property, plant and equipment		-	1
Net cash used in investing activities		(40,381)	(9,019)
Cash flows from financing activities			
Proceeds from issue of shares		14,488	-
Share issue transaction costs		(798)	-
Proceeds from issue of clinic class shares		497	707
Buy-back of clinic class shares		(733)	(588)
Proceeds from borrowings		18,960	7,130
Repayment of Related party loan		100	-
Dividends paid	13	(1,210)	-
Repayment of lease liabilities		(4,020)	(3,450)
Distributions paid non-controlling interest		(3,033)	(741)
Net cash from financing activities		24,251	3,058
Net increase/(decrease) in cash and cash equivalents		2,986	(16)
Cash and cash equivalents at the beginning of the financial half-year		4,159	2,538
Cash and cash equivalents at the end of the financial half-year		7,145	2,522

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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.

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.

As at 31 December 2020, whilst the Consolidated Entity has a working capital deficiency of $21.47 million, $11.25 million relates to current liabilities of property leases (under AASB16) where the associated right-of-use assets are recognised as non-current assets. Cash flows from customers will be generated from the Consolidated Entity's 207 business sites/clinics and a portion of these cash flows will be used to pay the respective lease liability repayments (property rents);

Notwithstanding the working capital deficiency, the Directors are satisfied the Consolidated Entity is a going concern after considering further mitigating factors:

- An internal cashflow forecast is prepared and regularly monitored, which shows adequate cash generation to cover current liabilities for at least the next twelve months;
- Other current liabilities of $5.63 million relate to contingent consideration for business acquisitions (earn-outs), which will only be achieved if cash flow generation remains as forecast, and can be settled via unused borrowings available to the Consolidated Entity;
- Employee benefit obligations of $6.49 million relates to Annual Leave and Long Service Leave accrued and the realisation of which is within the Consolidated Entity's control (i.e. by managing employee leave); and
- The Consolidated Entity has $2.0 million of overdraft facilities available for working capital purposes.

Note 2. Operating segments

Identification of reportable operating segments
The Consolidated Entity has three operating segments: Feet & Ankles (previously Podiatry), Bodies & Minds (previously Physiotherapy) and Eyes & Ears.

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

The other category comprises of corporate functions.

The CODM reviews underlying EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation). Underlying EBITDA also excludes the impact of acquisition and integration costs, the revenue and expense impacts of 'COVID-19' and other one-off non-recurring income and expenses. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Note 2. Operating segments (continued)

The Consolidated Entity has included underlying EBITDA. This measure is not defined under IFRS and are, therefore, termed "non-IFRS" measures and are not reviewed.

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

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

Feet and Ankles Division (previously Podiatry)	This division provides podiatry services and podiatry related services including the manufacturing and sale of orthotics and podiatry related products.
Bodies and Minds Division (previously Physiotherapy)	This division provides physiotherapy and speciality hand therapy services.
Eyes and Ears Division	This division provides optometry services.

Operating segment information

Consolidated - 31 Dec 2020	Feet & Ankles $'000	Bodies & Minds $'000	Eyes & Ears $'000	Other* $'000	Total $'000
Revenue					
Sales to external customers	28,880	27,791	4,136	-	60,807
Total revenue	28,880	27,791	4,136	-	60,807
EBITDA - underlying	12,571	11,005	1,549	(3,998)	21,127
Depreciation and amortisation	(2,927)	(2,218)	(370)	-	(5,515)
Share-based payments expense	-	-	-	(270)	(270)
Finance costs	-	-	-	(1,568)	(1,568)
Acquisition costs	-	-	-	(2,209)	(2,209)
Profit/(loss) before income tax expense	9,644	8,787	1,179	(8,045)	11,565
Income tax expense					(3,889)
Profit after income tax expense					7,676

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

Consolidated - 31 Dec 2019	Podiatry $'000	Physio-therapy $'000	Other* $'000	Total $'000
Revenue				
Sales to external customers	23,006	20,518	-	43,524
Total revenue	23,006	21,258	-	44,264
EBITDA - underlying	7,409	5,135	(2,908)	9,636
Depreciation and amortisation	(2,234)	(1,578)	(1,161)	(4,973)
Insurance claim write-off	-	-	(118)	(118)
Share-based payments expense	-	-	(52)	(52)
Finance costs	-	-	(1,308)	(1,308)
Acquisition and integration costs	-	-	(1,308)	(1,308)
Profit/(loss) before income tax expense	5,175	3,557	(6,855)	1,877
Income tax expense				(474)
Profit after income tax expense				1,403

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

Note 3. Revenue from contracts with customers

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Rendering of services	52,472	39,914
Sale of goods	8,335	3,610
Revenue from contracts with customers	60,807	43,524

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

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Major product lines		
Feet & Ankles (previously Podiatry)	28,880	23,006
Bodies & Minds (previously Physiotherapy)	27,791	20,518
Eyes & Ears	4,136	-
	60,807	43,524
Geographical regions		
Australia	60,807	43,524
Timing of revenue recognition		
Goods and services transferred at a point in time	60,807	43,524

Note 4. Other income

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Government grants (Covid-19)	7,606	-
Interest	4	-
Sub-tenant rent	476	536
Other income	192	204
Other income	8,278	740

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

The JobKeeper payment scheme commenced 30 March 2020. The Consolidated Entity ceased being eligible for JobKeeper payments on 27 September 2020.

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

	Consolidated 31 Dec 2020 $'000	Consolidated 30 Jun 2020 $'000
Leasehold improvements - at cost	8,440	4,517
Less: Accumulated depreciation	(3,896)	(1,690)
	4,544	2,827
Plant and equipment - at cost	18,398	9,806
Less: Accumulated depreciation	(10,590)	(4,957)
	7,808	4,849
	12,352	7,676

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

Consolidated	*Leasehold improve-ments $'000*	*Plant and equipment $'000*	*Total $'000*
Balance at 1 July 2020	2,827	4,849	7,676
Additions	-	1,221	1,221
Additions through business combinations (note 16)	2,066	2,384	4,450
Depreciation expense	(349)	(646)	(995)
Balance at 31 December 2020	4,544	7,808	12,352

Note 6. Non-current assets - right-of-use assets

	Consolidated 31 Dec 2020 $'000	Consolidated 30 Jun 2020 $'000
Land and buildings - right-of-use	52,282	30,519
Less: Accumulated depreciation	(10,628)	(6,650)
	41,654	23,869
Plant and equipment - right-of-use	607	607
Less: Accumulated depreciation	(422)	(260)
	185	347
	41,839	24,216

Note 6. Non-current assets - right-of-use assets (continued)

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

Consolidated	Land and buildings - right-of-use $'000	Plant and equipment - right-of-use $'000	Total $'000
Balance at 1 July 2020	23,869	347	24,216
Additions	6,205	-	6,205
Additions through business combinations (note 16)	15,551	-	15,551
Depreciation expense	(3,971)	(162)	(4,133)
Balance at 31 December 2020	41,654	185	41,839

Note 7. Non-current assets - intangibles

	Consolidated 31 Dec 2020 $'000	Consolidated 30 Jun 2020 $'000
Goodwill - at cost	131,020	77,173
Trademarks	250	20
Customer lists	5,775	3,108
Less: Accumulated amortisation	(1,576)	(1,248)
	4,199	1,860
Software - at cost	342	337
Less: Accumulated amortisation	(174)	(115)
	168	222
	135,637	79,275

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

Consolidated	Goodwill $'000	Trademarks $'000	Customer lists $'000	Software $'000	Total $'000
Balance at 1 July 2020	77,173	20	1,860	222	79,275
Additions	-	-	-	5	5
Additions through business combinations (note 16)	53,847	230	2,667	-	56,744
Amortisation expense	-	-	(328)	(59)	(387)
Balance at 31 December 2020	131,020	250	4,199	168	135,637

Note 8. Current and non-current liabilities - other liabilities

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Other Current Liabilities		
Current contingent consideration	5,625	1,845
Other Non-Current Liabilities		
Non-current contingent consideration	352	1,000
Total Other Liabilities	5,977	2,845

Refer note 14 for details on fair value measurement.

Note 9. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Bank loans	45,695	26,735

Note 10. Equity - issued capital

	Consolidated			
	31 Dec 2020 Shares	30 Jun 2020 Shares	31 Dec 2020 $'000	30 Jun 2020 $'000
Ordinary shares - fully paid	89,163,851	63,034,653	77,867	49,884

Movements in ordinary share capital

Details	Date	Shares '000	Issue price	$'000
Balance	1 July 2020	63,035		49,884
Issue of ordinary shares - Dividend Reinvestment Plan	24 September 2020	1,156	$0.99	1,147
Issue of ordinary shares - Dividend Reinvestment Plan	28 September 2020	115	$0.99	114
Issue of ordinary shares - Retail Entitlement Offer	3 November 2020	9,984	$0.95	9,485
Issue of ordinary shares - Institutional Entitlement Offer	17 November 2020	3,939	$0.95	3,742
Issue of ordinary shares - acquisition of The Optical Company (refer to Note 16)	30 November 2020	9,400	$1.29	12,126
Issue of ordinary shares - acquisition of The Optical Company (refer to Note 16)	1 December 2020	469	$1.29	606
Issue of ordinary shares - acquisition of Natural Fit Footwear (refer to Note 16)	17 December 2020	1,066	$1.24	1,322
Share issue transaction costs (net of tax)		-	$0.00	(559)
Balance	31 December 2020	89,164		77,867

Note 11. Equity - reserves

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Share-based payments reserve	925	655
Transactions with non-controlling interest reserve	(2,351)	(2,351)
Pre-IPO distributions reserve	(2,494)	(2,494)
	(3,920)	(4,190)

Note 12. Equity - non-controlling interest

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Issued equity - Clinic Class shares and minority interests	13,841	12,685
Retained profits	1,002	1,270
	14,843	13,955

Note 13. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Final dividend for the year ended 30 June 2020 of 2 cents per ordinary share	1,210	-

2021 Interim Dividend Declared
As at the date of signing the financial report, the Directors of Healthia Limited have recommended the payment of an interim fully franked dividend of 2.00 cents per share to the ordinary shareholders of Healthia Limited.

Note 14. Fair value measurement

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

Consolidated - 31 Dec 2020	*Level 1 $'000*	*Level 2 $'000*	*Level 3 $'000*	*Total $'000*
Liabilities				
Interest rate swap	-	240	-	240
Contingent consideration	-	-	5,977	5,977
Total liabilities	-	240	5,977	6,217

Note 14. Fair value measurement (continued)

Consolidated - 30 Jun 2020	*Level 1 $'000*	*Level 2 $'000*	*Level 3 $'000*	*Total $'000*
Liabilities				
Interest rate swap	-	224	-	224
Contingent consideration	-	-	2,845	2,845
Total liabilities	-	224	2,845	3,069

There were no transfers between levels during the financial half-year.

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

Contingent consideration has been valued based on expected EBITDA of the clinics, based on the knowledge of the business and how the current economic environment is likely to impact it. Consideration is capped at the values disclosed in the financial statements.

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

Consolidated	*Contingent consider-ation $'000*
Balance at 1 July 2020	2,845
Additions	4,628
Settlement of contingent considerations	(1,496)
Balance at 31 December 2020	5,977

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

Description	*Unobservable inputs*	*Range (weighted average)*	*Sensitivity*
Contingent consideration	Expected EBITDA of acquired clinics	$100,000 - $1,004,464	Consideration is capped at values disclosed in the financials. No sensitivity adjustments required.

The carrying values of the other financial instruments approximate their fair values due to their short-term nature.

Note 15. Related party transactions

Parent entity
Healthia Limited is the parent entity.

Note 15. Related party transactions (continued)

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

	Consolidated	
	31 Dec 2020 $	31 Dec 2019 $
Other transactions:		
Rent and outgoings paid to entities controlled by director Darren Stewart	169,475	199,638
Rent and outgoings paid to entities controlled by director Anthony Ganter	133,450	97,598
Rent and outgoings paid to entities controlled by key management personnel Dean Hartley and Glen Evangelista	82,668	89,900
Rent and outgoings paid to entities controlled by key management personnel Lisa Roach	120,405	98,412
Payment for services to an entity associated with Wesley Coote	133,450	106,582

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:

	Consolidated	
	31 Dec 2020 $	30 Jun 2020 $
Current receivables:		
Loan to key management personnel, Chris Banks	-	200,000

During the current period, a $100,000 cash repayment was received by the Consolidated Entity. At the discretion of the Directors, the remaining $100,000 debt balance was forgiven and recorded as a bad debt expense.

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

Note 16. Business combinations

Acquisition of the Optical Company (Eyes and Ears Division)
Healthia successfully completed the acquisition of The Optical Company ('TOC') on 30 November 2020, representing 41 optical stores and eyewear frame distributor, AED (note: the Company's unaudited results for the period ending 31 December 2020 include 1 month of TOC trading).

The goodwill is attributable mainly to the skills, technical talent and established clinics chain of TOC's work force and the synergies expected to be achieved from integrating the company into the Group's existing Health Industry business. None of the goodwill recognised is expected to be deductible for tax purposes.

Initial consideration paid for the acquisitions was $45.18 million including $32.45 million in cash consideration, $12.73 million in ordinary Healthia Limited share consideration, with up to an additional $3.08 million payable in deferred consideration which is due in 12 months after the completion date.

The increase in acquisition-date fair value of consideration from the contract price of $43.00 million is due to an increase in the share price from $0.95 per share at time of signing Share Sale Documentation (and pre capital raising/public announcement of the deal) and the share price of $1.29 at the date of settlement. This share price increase resulted in a $3.36 million increase in acquisition-date fair value of consideration. The remaining difference in purchase consideration is due to cash and working capital delivered in the acquired entities at settlement.

HLA shares were issued to the Vendors and are subject to voluntary escrow for between 6 months and 24 months.

Note 16. Business combinations (continued)

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 acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

The following amounts have been measured on a provisional basis:
- The fair value of TOC's identifiable intangible assets has been measured provisionally, pending completion of an independent valuation analysis.

For the 6 months ended 31 December 2020, TOC contributed revenue of $4.14 million and EBITDA of $1.24 million (less lease payments or pre-AASB 16 change) to the Group.

These clinics are expected to contribute annualised Revenue and EBITDA (less lease payments or pre-AASB 16 change) of $35.81 million and $5.69 million respectively on a pro-forma basis.

Acquisition of CQ Physio (Bodies and Minds Division)
The Consolidated Entity acquired the business named CQ Physiotherapy, comprising 3 physiotherapy clinics during the current period. Initial consideration paid for the acquisition was $4.66 million including $3.67 million in cash consideration, $0.99 million in Clinic Class Share consideration.

The fair value of identifiable intangible assets has been measured provisionally.

These clinics are expected to contribute annualised Revenue and EBITDA (less lease payments or pre-AASB 16 change) of $5.40 million and $1.12 million, respectively.

Acquisition of Other Bodies and Minds Clinics
The Consolidated Entity acquired an additional 4 physiotherapy clinics during the current period. Total consideration paid for the acquisitions was $1.13 million cash consideration, with up to an additional $0.2 million payable in contingent consideration.

The fair value of identifiable intangible assets has been measured provisionally.

These clinics are expected to contribute annualised Revenue and EBITDA (less lease payments or pre-AASB 16 change) of $1.98 million and $0.27 million respectively on a pro-forma basis.

Acquisition of Natural Fit (Feet and Ankles Division)
The Consolidated Entity acquired the business named Natural Fit, comprising 6 retail footwear stores during the current period. Initial consideration paid for the acquisition was $4.21 million including $2.89 million in cash consideration, $1.32 million in ordinary Healthia Limited share consideration, with up to an additional $1.35 million payable in contingent consideration.

The increase in acquisition-date fair value of consideration from the contract price is due to an increase in the share price from $0.95 per share at time of signing Share Sale Documentation and the share price of $1.24 at the date of settlement. This share price increase resulted in a $0.31 million increase in acquisition-date fair value of consideration. The remaining difference in purchase consideration is due to settlement adjustments, including the value of inventory delivered at settlement of $1.14 million.

HLA shares were issued to the Vendors of the 6 retail footwear stores at 95 cents per share and are to be held in voluntary escrow for 22 months.

The fair value of identifiable intangible assets has been measured provisionally.

These clinics are expected to contribute annualised Revenue and EBITDA (less lease payments or pre-AASB 16 change) of $6.11 million and $0.90 million respectively on a pro-forma basis.

Note 16. Business combinations (continued)

Acquisition of Other Feet and Ankles Clinics
The Consolidated Entity acquired an additional 1 podiatry clinic during the current period. Total consideration paid for the acquisition was $0.10 million in cash consideration.

The fair value of identifiable intangible assets has been measured provisionally.

The clinic is expected to contribute annualised Revenue and EBITDA (less lease payments or pre-AASB 16 change) of $0.18 million and $0.05 million respectively.

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

Note 16. Business combinations (continued)

Details of the acquisitions are as follows:

	Eyes & Ears Division	Bodies and Minds Division		Feet & Ankles Division		
	TOC Provisional Fair value $'000	CQ Physio Provisional Fair value $'000	Others Provisional Fair value $'000	Natural Fit Provisional Fair value $'000	Others Provisional Fair value $'000	Total $'000
Cash and cash equivalents	2,573	-	-	2	-	2,575
Trade receivables	1,055	-	-	-	-	1,055
Inventories	2,317	50	16	1,139	-	3,522
Other current assets	287	12	15	119	2	435
Plant and equipment	3,945	138	208	103	56	4,450
Right-of-use assets	10,175	971	1,526	2,768	111	15,551
Patents and trademarks	230	-	-	-	-	230
Customer lists	1,944	258	73	384	8	2,667
Deferred tax asset	3,864	397	511	839	34	5,645
Trade payables	(2,287)	-	-	-	-	(2,287)
Other payables	(415)	-	-	-	-	(415)
Provision for income tax	(719)	-	-	-	-	(719)
Deferred tax liability	(3,698)	(369)	(479)	(946)	(36)	(5,528)
Employee benefits	(2,080)	(350)	(179)	(30)	(2)	(2,641)
Lease liability	(10,172)	(971)	(1,526)	(2,768)	(111)	(15,548)
Other liabilities	(2,767)	(33)	(20)	(98)	(10)	(2,928)
Net assets acquired	4,252	103	145	1,512	52	6,064
Goodwill	44,004	4,555	1,191	4,049	48	53,847
Acquisition-date fair value of the total consideration transferred	48,256	4,658	1,336	5,561	100	59,911
Representing:						
Cash paid or payable to vendor	32,449	3,668	1,133	2,889	100	40,239
Healthia Limited shares issued to vendor	12,732	-	-	1,322	-	14,054
Deferred / Contingent consideration	3,075	-	203	1,350	-	4,628
Clinic Class Shares issued to vendor(s)	-	990	-	-	-	990
	48,256	4,658	1,336	5,561	100	59,911
Cash used to acquire business, net of cash acquired:						
Acquisition-date fair value of the total consideration transferred	48,256	4,658	1,336	5,561	100	59,911
Less: cash and cash equivalents	(2,573)	-	-	(2)	-	(2,575)
Less: deferred / contingent consideration	(3,075)	-	(203)	(1,350)	-	(4,628)
Less: Healthia Limited shares issued to vendor	(12,732)	-	-	(1,322)	-	(14,054)
Less: Clinic Class Shares issued to vendor(s)	-	(990)	-	-	-	(990)
Net cash used	29,876	3,668	1,133	2,887	100	37,664

Note 16. Business combinations (continued)

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Asset acquired	*Valuation technique*
Property, plant and equipment.	Market comparison technique and cost technique: The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	The fair value of an intangible asset will reflect market participants' expectations at the acquisition date about the probability that the expected future economic benefits embodied in the asset will flow to the entity. There are three approaches to valuing intangible assets that correspond to the valuation approaches: - Market approaches; - Income approaches; and - Cost approaches.
Inventories	Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

The trade receivables comprise gross contractual amounts due of $1.055m, of which $0.18m was expected to be uncollectable at the date of acquisition.

The values identified in relation to the acquisitions are provisional as at 31 December 2020.

Acquisition and integration related costs of $2,209,000 are included in the consolidated statement of profit or loss and other comprehensive income.

Note 17. Earnings per share

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Profit after income tax	7,676	1,403
Non-controlling interest	(2,766)	(733)
Profit after income tax attributable to the owners of Healthia Limited	4,910	670
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	69,151,735	63,034,653
Adjustments for calculation of diluted earnings per share:		
Performance rights	3,204,358	2,678,358
Weighted average number of ordinary shares used in calculating diluted earnings per share	72,356,093	65,713,011
	Cents	**Cents**
Basic earnings per share	7.10	1.06
Diluted earnings per share	6.79	1.02

Note 18. Events after the reporting period

On 4 February 2021 the Consolidated Entity reached settlement to acquire 3 additional physiotherapy clinics in South Australia (The Physio Clinic). Consideration for the acquisitions is $1.43 million including $1.14 million in cash consideration and $0.29 million in clinic class share consideration. The initial accounting for this business combination is incomplete at the time the financial statements are authorised for issue, with the fair values of assets and liabilities acquired to be finalised.

The Consolidated Entity has entered into agreement to acquire an additional physiotherapy clinic in Victoria, with customary conditions precedent including due diligence and assignment of property leases. Consideration for the acquisitions is $1.54 million including $1.23 in cash consideration and $0.31 million in Clinic Class Share consideration. The acquisition is expected to be completed before 31st March 2021.

In February 2021, the Consolidated Entity signed formal documentation to increase its total finance facility from $50.0 million to $70.0 million. As part of this facility increase, the National Australia Bank (NAB) has become party to the existing finance facility with existing lenders Australia and New Zealand Bank (ANZ) and the Bank of Queensland Limited (BOQ) remaining in place. The facility term was extended to January 2024, providing three-year tenor.

The increased facility size and tenor, as well as the addition of the National Australia Bank to the Consolidated Entity’s finance facility, provides certainty to continue the stated strategy of pursuing value accretive acquisition opportunities.

The key financial covenants of the finance facility remain unchanged. They are as follows:

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

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

The Consolidated Entity continues to remain in compliance with covenants as at the date of reporting.

The Consolidated Entity opened a new greenfield multidisciplinary allied health clinic opened in Bundaberg, Queensland. The clinic opened on the 25 January 2021 and offers a arrange of services including physiotherapy, clinical Pilates, exercise physiology, podiatry, occupational therapy, speech pathology and remedial massage. The clinic was profitable in its first month of operation.

Apart from the dividend declared as disclosed in note 13, no other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Healthia Limited and its Controlled Entities
Directors' declaration
31 December 2020

In the directors' opinion:

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

- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and

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

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

On behalf of the directors

Glen Frank Richards
Director

25 February 2021

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

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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Healthia Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Healthia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and

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

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd

BDO

TMann

T R Mann
Director

Brisbane, 25 February 2021