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 2021
Previous period:	For the half-year ended 31 December 2020

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2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	50.8%	to	91,677
Loss from ordinary activities after tax attributable to the owners of Healthia Limited	down	101.8%	to	(86)
Loss for the half-year attributable to the owners of Healthia Limited	down	101.8%	to	(86)

	31 Dec 2021 Cents	31 Dec 2020 Cents
Basic earnings per share	(0.08)	7.10
Diluted earnings per share	(0.08)	6.79

Dividends

2022 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 cents per share to the ordinary shareholders of Healthia Limited.

Dates for the 2022 interim dividend declared are as follows:
- Ex-Date: Tuesday, 1 March 2022;
- Record date: Wednesday, 2 March 2022;
- DRP Election Date: Thursday, 3 March 2022; and
- Payment date: Tuesday, 22 March 2022.

A fully underwritten Dividend Reinvestment Plan will operate for the 2022 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*.

Dividends (distributions)	Amount per security	Franked amount per security
Current period		
Interim dividend - H122	2.0 cents per share	100%
Previous corresponding period		
Interim dividend - H121	2.0 cents per share	100%

Record date for determining entitlements to the interim dividends: 2 March 2022

Comments
The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $86,000 (31 December 2020: profit of $4,910,000).

During the 2022 financial half-year, the Consolidated Entity acquired 80 allied health businesses (76 Bodies and Minds clinics, including 63 Back in Motion Group clinics, 3 Eyes and Ears clinics and 1 Feet and Ankles clinic). This should be considered when interpreting the statutory financial results.

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(55.55)	(55.85)

Calculated as follows:

	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Net assets	173,964	90,697
Less: Intangibles	(237,822)	(135,637)
Less: Deferred tax asset	(6,618)	(4,858)
Net tangible assets	(70,476)	(49,798)
Total shares issued (no.)	126,867,502	89,163,851

4. Control gained over entities

Refer to note 18 for details of business combinations in the year.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
As at the date of signing the financial report, the Directors of Healthia Limited have recommended the payment of an interim fully franked dividend of 2.0 cents per share to the ordinary shareholders of Healthia Limited.

Dates for the 2022 interim dividend declared are as follows:
- Ex-Date: Tuesday, 1 March 2022;
- Record date: Wednesday, 2 March 2022;
- DRP Election Date: Thursday, 3 March 2022; and
- Payment date: Tuesday, 22 March 2022.

A fully underwritten Dividend Reinvestment Plan will operate for the 2022 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*.

Previous period
An interim dividend of 2.0 cents per share was paid for the period ended 31 December 2020.

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7. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period $'000	Previous period $'000
Fracture Holdco Pty Ltd	40.00%	45.00%	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			-	-

8. Foreign entities

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

Not applicable.

9. 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.

10. Attachments

Details of attachments (if any):

The Half Year Financial Report of Healthia Limited for the half-year ended 31 December 2021 is attached.

11. Signed

Signed ______________________________ Date: 28 February 2022

Dr Glen Frank Richards
Director

Healthia Limited and its Controlled Entities

ACN 626 087 223

Half Year Financial Report - 31 December 2021

Healthia Limited and its Controlled Entities
Directors' report
31 December 2021

The directors present their, 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 2021.

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 Jonathan Kangisser

Principal activities

During the financial half-year the principal activities of the Consolidated Entity consists of the following:

- the operation of podiatry and retail footwear businesses throughout Australia through the Feet and Ankles division;
- the operation of physiotherapy, occupational therapy, hand therapy, exercise physiology and speech pathology businesses throughout Australia through the Bodies and Minds division; and
- the operation of optometry and audiology businesses throughout Australia through the Eyes and Ears division.

Dividends

Dividends paid during the period were as follows:

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Interim dividend for the year ended 31 December 2020 of 2.0 cents per ordinary share	-	1,210
Final dividend for the year ended 30 June 2021 of 2.5 cents per ordinary share	2,255	-
	2,255	1,210

As at the date of signing the financial half-year report, the Directors of Healthia Limited have recommended the payment of an interim fully franked dividend of 2.0 cents per share (31 December 2020: 2.0 cents per share) to the ordinary shareholders of Healthia Limited and has determined that Healthia's Dividend Reinvestment Plan will operate for the interim dividend.

Review of operations

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $86,000 (31 December 2020: profit of $4,910,000).

1. H122 Key Highlights

The key highlights for H122 for the Consolidated Entity included the following:

- Revenue growth during H122 despite Government imposed lockdown and restrictions, and COVID outbreaks demonstrating the resilience of the Healthia business model;
- EBITDA(u)[1] increased to $12.21 million, or by 11.13% on prior period (H121: $10.98 million);
- EBITDA(x)[2] – Healthia expects to enter FY23 with an annualised portfolio of greater than $40.0 million (assuming no ongoing impacts from COVID);
- $102.19 million of capital deployed to acquire 76 physiotherapy clinics, 3 optical stores and 1 podiatry clinic;
- During the period, the Consolidated Entity positioned itself as the number one physiotherapy group in Australia and New Zealand through the strategic acquisition of the 63 Back In Motion physiotherapy clinics;
- Increase in finance facility from $70.00 million to $100.00 million, which provides significant headroom to continue the stated strategy of pursuing value accretive acquisition opportunities;
- The Consolidated Entity continued to support its team members during Government imposed lockdowns and restrictions and made minimal rostering changes;
- 154 new graduate clinicians were recruited and commenced in February 2022 (FY21:64 graduates). All graduates undertook the structured graduate induction training;
- Declared a 2.0 cent per share fully franked, interim dividend to be supported by a fully underwritten dividend reinvestment plan;
- iOrthotics awarded a Government grant of $2.0 million to support research into design led advanced manufacturing of smart orthotics for regional and remote Australia.

2. Impacts from COVID-19

As previously indicated by the Consolidated Entity, the period from July 2021 through October 2021 saw an increased number of Government imposed lockdowns and restrictions throughout key areas of Australia as a result of COVID-19. The impact on trading days within the Consolidated Entity network was estimated at 6,869 clinic trading days impacted during H122 (H121: 2,152).

Following the lifting of restrictions in October 2021, trading returned to normal levels and Same Clinic Growth[3] of 5% was achieved in November 2021 (compared with November 2020).

Starting in late December 2021, the Omicron variant of COVID-19 emerged across Australia and negative Same Clinic Growth in revenue was recorded as a result of increased patient appointment cancellations and significant team member absenteeism due to illness and isolations (the latter resulting from Government mandated isolation periods).

During calendar year 2022, trading conditions have been improving week-on-week and February 2022 month to date is trading approximately 4% below February 2021 (on a Same Clinic Growth basis, removing the impact of acquisitions).

As was the case in H121, which saw the Consolidated Entity achieve Same Clinic Growth of 14.5%, organic activities coupled with pent-up demand for allied health services typically sees stronger than normal trading post COVID-19 impacted trading periods. The Consolidated Entity will continue to manage and monitor the impacts from the current Omicron COVID outbreak and provide further market updates for the full year FY22, including the provision of guidance for FY23, when business conditions stabilise.

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[1] *EBITDA(u) - Underlying EBITDA reflects statutory EBITDA 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 EBITDA has not been audited.*
[2] *EBITDA(x) - Expectations for annualised portfolio run-rate at commencement of FY23. Presented pre-AASB16 and assuming no impacts from COVID.*
[3] *Same Clinic Growth - revenue growth has been calculated by excluding any closed businesses and businesses not held during the prior period.*

3. Financial Overview - Statutory Performance

The H122 statutory performance compared to the prior comparative period (ended 31 December 2020 ('H121' or 'PCP')) is shown in Table 1 below.

Table 1: H122 statutory performance compared to the PCP

	H122 $'000's	H121 $'000's	Change $'000's	Change %
Revenue	91,677	60,807	30,870	50.77%
Other Income	1,343	8,278	(6,935)	-83.78%
Net profit after income tax expense	1,855	7,676	(5,821)	-75.83%
Non-controlling interest	1,941	2,766	(825)	-29.83%
NPAT attributable to the owners of Healthia Limited[1]	**(86)**	**4,910**	**(4,996)**	**-101.75%**

1. Net profit after income tax expense, net of Non-Controlling Interest (NCI)

The strong revenue growth during the period can be attributed to the deployment of $102 million of capital on 80 new acquisitions during the period (comprising 76 Bodies and Minds businesses, 3 Eyes and Ears businesses and 1 Feet and Ankles business) and the timing of acquisitions made in prior periods ($63 million deployed during FY21).

Other Income decreased by $6.94 million attributable to the $7.61 million of JobKeeper payments recognised in the prior period which ceased being received in September 2020.

The Consolidated Entity's non-controlling interest in H122 of $1.94 million (H121: $2.77 million) represents a decrease over the prior period of 29.83%. The decrease in non-controlling interest can be attributed to:

- Lower than expected revenue due to ongoing impacts from COVID related Government imposed restrictions and lockdowns as well as other unavoidable fixed costs incurred during H122; and
- the one-off impact of JobKeeper payments in the prior period, the benefits of which were proportionally passed into the minority shareholders of the Consolidated Entity.

4. Financial Overview - Underlying Performance

To assist users, information about the underlying performance of the Consolidated Entity is presented in Table 2 below which excludes the impact of acquisition and integration costs of the 80 newly acquired clinics during the period (H121: 55 newly acquired clinics) and is adjusted for 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 non-recurring transactions or circumstances had not occurred.

The Consolidated Entity's underlying performance is provided on an unaudited basis in Table 2 and a reconciliation between statutory and underlying performance is provided further below in Table 3.

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

Table 2: Underlying H122 performance compared to PCP

This table has not been audited	*H122 $'000's Underlying 2*	*H121 $'000's Underlying 2*	*Change $'000*	*Change %*
Underlying Revenue 1	93,020	61,475	31,545	51.31%
Underlying EBITDA 3,4 (removing impact of AASB16)	12,206	10,983	1,223	11.13%
Underlying NPATA 5	6,206	6,250	(44)	-0.70%
Non-controlling interest (NCI)	1,916	1,741	175	10.05%
Net post-tax P&L impact of AASB16 adoption 6	338	237	101	42.77%
Underlying NPATA attributable to the owners of Healthia Limited (removing impact of AASB16) 5	**4,629**	**4,746**	**(117)**	**-2.5%**
Underlying EBITDA margin (removing impact of AASB16) 3,4	13.12%	17.87%	-4.75%	-475 bps
Underlying NPATA margin (removing impact AASB16) 5	4.98%	7.72%	-2.74%	-274 bps
Underlying Basic EPS (cents, removing impact AASB16) 7	4.27	6.86	(2.59)	-37.8%
NCI / Underlying NPATA 8	29.28%	26.84%	2.44%	244 bps

(1) For the purposes of underlying results, the Consolidated Entity has included $0.62 million NSW JobSaver revenue subsidies received;
(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;
(3) Underlying EBITDA is a non-IFRS measure and equals underlying profit before interest, tax, depreciation and amortisation. Underlying EBITDA has not been audited;
(4) Underlying EBITDA has been adjusted for the impacts of AASB16. Lease payments of $7.85 million have been included to provide users with a like-for-like comparison with PCP;
(5) Underlying NPATA is a non-IFRS measure and equals underlying net profit after income tax expense plus amortisation of customer list intangibles. Underlying NPATA has not been audited;
(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 with PCP. The pre-tax impact of AASB 16 'Leases' in the current period is comprised of the following: occupancy costs decreased by $7.85 million, depreciation expense increased by $6.95 million, and finance costs increased by $1.35 million. The net post-tax P&L impact has not been audited;
(7) Underlying EPS, or earnings per share, is calculated as underlying NPATA attributable to the owners of Healthia Limited divided by the weighted average number of ordinary shares on issue for the period (H122: 108.18 million, H121: 69.15 million). Underlying EPS has not been audited;
(8) Non-Controlling Interest divided by Underlying NPATA. NCI/ Underlying NPATA has not been audited.

The Consolidated Entity's underlying revenue increased by 51.31% to $93.02 million vs PCP of $61.48 million. The significant increase in revenue can be attributed to the deployment of $102 million of capital on 80 new acquisitions during the period (comprising 76 businesses within the Bodies & Minds division, 3 businesses within the Eyes & Ears division and 1 business within the Feet & Ankles division) and the timing of acquisitions made in prior periods ($63.00 million deployed during FY21). Had all acquisitions completed in H122 been held for a full 6-month period, and assuming no impacts from lockdowns or restrictions from COVID:

- Revenue would have increased by $21.80 million;
- Underlying EBITDA would have increased by $3.94 million.

The Consolidated Entity made a conscious decision to continue trading through the various Government imposed lockdowns and restrictions, which impacted 6,869 clinic trading days and during the onset of Omicron which resulted in staff absenteeism from isolations and illness and increased patient appointment cancellations.

Throughout these periods minimal changes were made to rosters to ensure the livelihood of its team members were not impacted and to ensure its community members and patients continued to receive essential health services. Due to these impacts, the Consolidated Entity was unable to fully utilise its fixed cost base which resulted in the underlying EBITDA margin decreasing to 13.12% (H121: 17.87%).

The Consolidated Entity's underlying EPS[1] of 4.27 cents per share (H121: 6.86 cents per share) represents a decrease of 37.80% from the prior period due to:

- Lower than expected revenue due to the ongoing impacts from COVID related Government imposed restrictions and lockdowns as well as other unavoidable fixed costs incurred during the period; and
- the BIM clinic acquisitions reaching settlement throughout the period from 5 October 2021 to 23 December 2021 (as conditions precedent were settled). There was a one-off 'capital drag' associated with the earlier Entitlement Offer (equity capital raising) which was completed on 28 September 2021 (Institutional Entitlement Offer) and 13 October 2021 (Retail Entitlement Offer). If all the BIM clinics had settled on the day of the Entitlement Offer, the underlying EPS would have increased by 57 cps.

(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 (H122: 108,281,824; H121: 69,151,735).

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

A reconciliation of underlying NPATA to statutory NPAT performance is detailed in Table 3 below.

Table 3: Reconciliation of Underlying NPATA to Statutory NPAT

Note	*This table has not been audited*	*H122 $'000's*
1	**Underlying NPATA attributable to the owners of Healthia Limited (removing impact of AASB16) 1**	**4,629**
2	Less: Acquisition & integration costs	(4,700)
3	Less: Share-based payments expense and associated costs	(772)
4	Less: COVID-19 related expenses	(641)
5	Less: Amortisation	(776)
6	Less: Net impact of AASB16	(338)
7	Add: Fair Value movements of contingent consideration	1,550
	Add: Net taxation impact	962
	Statutory NPAT attributable to the owners of Healthia Limited	**(86)**

Note that a reconciliation of underlying NPATA to statutory NPAT performance for H121 is located on page 10 of the half year financial report for the period ended 31 December 2020.

(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 80 allied health businesses acquired. When calculated as a percentage of capital deployed for the period ($102.2 million), acquisition and integration costs represent related costs of approximately 4.6%;
(3) Non-cash share-based payments expense relating to the issuance of Performance Rights to key management personnel, key clinicians and administration staff which remains subject to the achievement of a number of vesting conditions;
(4) One-off identifiable expenses related to the COVID-19 pandemic, variants and related lockdowns and restrictions;
(5) Amortisation of customer lists and software intangibles during the current period;
(6) AASB 16 'Leases' had a significant impact on the current period financial performance. This impact is comprised of the following changes due the adoption of AASB 16: occupancy costs decreased by $7.85 million, depreciation expense increased by $6.95 million, and finance costs increased by $1.35 million; and
(7) Fair value adjustment associated with the reversal of contingent consideration which is no longer expected to be achieved due to lower than expected trading from COVID restrictions and lockdowns.

6. Acquisitive Growth

Since the commencement of FY22, and outside of the $91.66 million deployed for the BIM acquisition, the Consolidated Entity has deployed $10.53 million towards other acquisitions and announced a further $8.43 million to be deployed, which combined represent 95% of the $20.00 million target of capital expected to be deployed per annum.

A summary of the acquisitions settled or announced by the Consolidated Entity during the period from 1 July 2021 to 28 February 2022 is set out in Table 4 below.

Table 4: Summary of acquisitions between 1 July 2021 and 28 February 2022

	Underlying Financials		Consideration	Multiple
	Revenue $ million	Underlying EBITDA[1,2] $ million	Total Consideration $ million	EBITDA[1,2] Multiple
Back In Motion	$62.30	$12.20	$91.66	7.51x
Other acquisitions settled during H122	$13.35	$2.35	$10.53	4.48x
Other acquisitions settled or announced after H122	$9.21	$1.73	$8.43	4.87x
Total	**$84.86**	**$16.28**	**$110.62**	**6.79x**

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

2.Underlying EBITDA is a non-IFRS measure and equals earnings before interest, tax, depreciation and amortisation and has been adjusted to remove the impacts of AASB16. Underlying EBITDA has not been audited.

As detailed above total acquisitions settled or announced by the Consolidated Entity during H122 are expected to contribute annual proforma revenue of $84.86 million and underlying EBITDA of $16.28 million respectively. The largest contributor of revenue and EBITDA being the 63 Back In Motion clinics, which were settled between 5 October 2021 and 23 December 2021. For the 6 months ended 31 December 2021, BIM contributed actual revenue of $11.32 million and EBITDA of $2.39 million (less lease payments or pre-AASB 16 change) to the Consolidated Entity.

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. Through the Consolidated Entity's vertically integrated business model, there is also the opportunity to capture significant scale benefits and cost savings from newly acquired clinics and stores. 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 its disciplined acquisition criteria.

7. Financial position and funding

During H122, the Consolidated Entity's financial position was impacted by the following key events:

- The deployment of $102 million of capital on 80 new acquisitions, resulting in material increases to intangibles, plant and equipment and working capital balances;
- The Entitlement Offer, which was undertaken to fund the acquisition of Back In Motion, increased Issued Capital by $58 million (after underwriting fees and the costs of capital raising); and
- The acquisition of Back In Motion, in addition to other acquisitions completed, increased net debt to $63.00 million (H121: $44.00 million).

As a result of the abovementioned acquisitions, as well as through the exercise of property lease options, right-of-use assets and lease liabilities have also increased materially during the period, which has adversely impacted the net working capital position at 31 December 2021. Whilst the Consolidated Entity had a working capital deficiency of $19.87 million, $16.17 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 288 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 $0.66 million relate to contingent consideration for business acquisitions (earn-outs), which will only be achieved if cash flow generation remains as forecast;
- Employee benefit obligations of $11.09 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 $1.23 million of unutilised overdraft facilities available for working capital purposes.

During H122, the Consolidated Entity increased its total finance facility from $70.00 million to $100.00 million with its financiers, namely ANZ, NAB and BOQ. At period end, the Consolidated Entity has undrawn facilities of approximately $30.00 million available with a tenor (remaining maturity) of 2.75 years. The increased facility size and tenor 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 accounting standard by the Consolidated Entity.

The Consolidated Entity continues to remain in compliance with banking covenants as at the date of reporting and at 31 December 2021 reported a Leverage Ratio of 1.89x.

8. Risk Management

The Consolidated Entity is committed to identifying and mitigating risks that it faces in relation to operations, business strategy and financial prospects in order to maintain a sustainable business and protect the interests of its shareholders. The Consolidated Entity has an established Audit and Risk Committee which is responsible for, among other things, identifying and monitoring significant business risks within the Consolidated Entity and monitoring the implementation of strategic objectives. A non-exhaustive list of material risks and relevant mitigation strategies implemented by the Consolidated Entity are set out below in Table 5.

Table 5: Material Business Risks

Risk	Potential Impact	Consolidated Entity's Response
PANDEMIC RISK		
The COVID-19 pandemic may impact revenue and operations.	Increased patient appointment cancellations and staff absenteeism resulting in lower than expected revenue.	Comprehensive internal policies and procedures have been developed to minimise the risk of patient and staff member illness. Targeted recall programs in place to re-book patients that have cancelled appointments due to COVID. The scale and geographic diversification of operations provides a level of risk mitigation with respect to localised outbreaks and/or restrictions.
ACQUISITION RISK		
New businesses may not perform in line with expectations.	The performance of acquired businesses could be impacted if sufficient due diligence is not performed and/or if the acquired businesses are not integrated effectively and/or from COVID lockdowns, restrictions, and outbreaks.	Extensive internal processes and procedures to ensure sufficient due diligence is undertaken prior to completion. Comprehensive integration plans are put in place for all acquisitions and are managed by an experienced internal integrations team. Refer to "Pandemic Risk" above for responses to COVID impacts.
STAFF RETENTION		
The Consolidated Entity relies on clinicians to provide allied health services to patients.	High turnover or the inability to retain experienced staff, specifically clinicians, could impact the quality and/or availability of clinical services.	Developed Clinician Retention Program which allows clinicians to have an ownership interest in clinics (via Clinic Class Shares). A structured learning and education program is also in place to provide world class learning and education to position the Consolidated Entity as an employer of choice. The yearly graduate clinician intake is expected to cover any outstanding vacancies.
FUNDING RISK		
The availability of debt funding.	An inability to secure funding or refinance current debt facilities may adversely impact the financial position.	The Consolidated Entity actively manages its leverage position and maintains a close and transparent relationship with its financiers to ensure ongoing support.
DATA SECURITY		
Risk of data breach or hacking of confidential information.	Data breach or failure to protect patient records could result in reputational damage and remediation costs.	Comprehensive policies and procedures in place regarding the use and storage of confidential information. Cyber security insurance is also in place to mitigate potential financial losses.

9. Outlook

The Consolidated Entity expects to deliver underlying revenue and EBITDA growth in FY22 over FY21. While H222 is expected to be stronger than H221, some impacts have been felt during calendar year 2022 due to the Omicron outbreak. Trading conditions have been improving week-on-week and February 2022 month to date is trading approximately 4% below February 2021 (on a Same Clinic Growth basis, removing the impact of acquisitions).

Healthia will continue to manage and monitor the impacts from COVID outbreaks and provide a further update for full year FY22 when business conditions stabilise.

Given the impacts from COVID, and the timing of settlements of the $110.6 million in acquisitions announced during FY22 year to date, the Consolidated Entity wishes to provide clarity on its current annualised portfolio and expectations during normal trading conditions. The Consolidated Entity expects to commence FY23 with an annualised portfolio of greater than $40.0 million[4] of underlying EBITDA.

The Consolidated Entity's focused strategy continues to be:

(1) Future acquisitive growth;
(2) Executing on organic growth activities; and
(3) Driving value from our vertically integrated business units.

Training and induction for the 154 new graduate clinicians (FY21:64) will continue, with all graduates expected to be at acceptable operating capacity levels by the end of April 2022.

With an addressable market in excess of $9.8 billion, the Consolidated Entity is confident of deploying the stated acquisition target of $20.0 million per annum. During FY22, $10.53 million was deployed in H122 (excluding the acquisition of Back In Motion) and a further $8.43 million in binding agreements has since been announced.

Significant changes in the state of affairs

Acquisition of the Back in Motion Group (Bodies & Minds Division) and Capital Raising
On 20 September 2021, the Consolidated Entity announced that it had entered binding agreements to acquire the Back In Motion Health Group (BIM), comprising the businesses of the 63 Back In Motion physiotherapy clinics and the shares in BIM IP Pty Ltd, which owned the brands, trademarks and other intellectual property.

The Back In Motion clinic acquisitions were settled over the period 5 October 2021 to 23 December 2021 as landlord consents and other conditions precedent were satisfied.

Initial consideration paid for the acquisitions was $91.66 million including $64.51 million in cash consideration, $15.66 million in Clinic Class Shares, $5.77 million in ordinary Healthia Limited share consideration, $1.70 million payable in deferred consideration, and a fair value of $4.01 million in contingent consideration which may become payable between 12 and 36 months after the completion date.

The cash consideration and related transaction costs were funded through an Entitlement Offer. The Entitlement Offer was to existing shareholders for $60.00 million and was undertaken via a non-renounceable pro-rata entitlement offer at $1.80 per share. The offer was split into two components, the Institutional Entitlement Offer and the Retail Entitlement Offer, which raised $44.49 million and $15.54 million respectively.

The Entitlement Offer saw strong support from existing shareholders and also welcomed a number of new institutional shareholders to the Consolidated Entity's share register. Directors and Key Management Personnel of the Consolidated Entity contributed approximately $3.30 million of the $60.00 million Entitlement Offer, representing approximately 5.5% of the total raising.

For the 6 month period ended 31 December 2021, BIM contributed revenue of $11.32 million and EBITDA of $2.39 million (less lease payments or pre-AASB 16 change) to the Group. If these acquisitions had been held for the full 6 month period (by extrapolating the actual performance and assuming no impacts from COVID lockdowns, restrictions and outbreaks), the acquired businesses would have contributed revenue of $30.20 million and EBITDA (less lease payments or pre-AASB 16 change) of $6.01 million to the Consolidated Entity.

[4] *EBITDA(x) - Expectations for annualised portfolio run-rate at commencement of FY23. Presented pre-AASB16 and assuming no impacts from COVID.*

Acquisition of PhysioWorks Group (Bodies and Minds Division)
The Consolidated Entity acquired the businesses trading under the name PhysioWorks, being a group of five physiotherapy businesses located in South East Queensland. Initial consideration paid for the acquisition was $2.21 million including $1.81 million in cash consideration and $0.41 million in Clinic Class Shares consideration.

For the 6 months ended 31 December 2021, PhysioWorks Group contributed revenue of $0.18 million and EBITDA of $(0.01) million (less lease payments or pre-AASB 16 change) to the Consolidated Entity. If these acquisitions had been held for the full 6 month period (by extrapolating the actual performance and assuming no impacts from COVID lockdowns, restrictions and outbreaks), the acquired businesses would have contributed revenue of $0.93 million to the Consolidated Entity.

Acquisition of Other Bodies and Minds Clinics
The Consolidated Entity acquired an additional 8 physiotherapy clinics during the current period. Initial consideration paid for acquisitions was $7.81 million including $4.55 million in cash consideration, $2.28 million in Clinic Class Shares, with up to an additional $0.98 million in contingent consideration.

For the 6 months ended 31 December 2021, the acquired businesses contributed revenue of $2.36 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.48 million to the Consolidated Entity. If these acquisitions had been held for the full 6 month period (by extrapolating the actual performance and assuming no impacts from COVID lockdowns, restrictions and outbreaks), the acquired businesses would have contributed revenue of $4.45 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.84 million to the Consolidated Entity.

Acquisition of Other Eyes and Ears Stores
The Consolidated Entity acquired an additional 3 optical stores during the current period. Initial consideration paid for these acquisitions was $0.50 million including $0.46 million in cash consideration and $0.04 million in Clinic Class Shares.

For the 6 months ended 31 December 2021, the acquired businesses contributed revenue of $0.62 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.14 million to the Consolidated Entity. If these acquisitions had been held for the full 6 month period (by extrapolating the actual performance and assuming no impacts from COVID lockdowns, restrictions and outbreaks), the acquired businesses would have contributed revenue of $0.65 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.15 million to the Consolidated Entity.

Acquisition of Other Feet and Ankles Clinic
The Consolidated Entity acquired the assets of an additional 1 podiatry clinic during the current period. Total consideration paid for the acquisition was $0.02 million in cash consideration. This clinic was acquired by the Consolidated Entity with a view to merge it into an existing podiatry clinic with the support of the minority shareholders in that clinic.

For the 6 months ended 31 December 2021, the acquired business contributed revenue of $0.03 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.01 million to the Consolidated Entity. If the acquisitions had been held for the full 6 month period (by extrapolating the actual performance and assuming no impacts from COVID lockdowns, restrictions and outbreaks), the acquired business would have contributed revenue of $0.06 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.01 million to the Consolidated Entity.

Performance rights
On 19 November 2021, the Consolidated Entity granted 1,203,500 unlisted performance rights to key management personnel and other senior managers with a nil grant and exercise price. The performance rights will vest on 18 November 2024 (subject to satisfaction of the relevant vesting conditions) and expire on 31 December 2024. The vesting conditions include a number of performance and service conditions.

Interim dividend
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 2.0 cents per share (H121: 2.0 cents per share) to the ordinary shareholders of Healthia Limited.

A Dividend Reinvestment Plan will operate for the 2022 Interim Dividend. A 2.5% discount will apply to the Dividend Reinvestment Plan for the final dividend. A copy of the Dividend Reinvestment Plan rules can be found on the Consolidated Entity's website at the following address: https://healthia.com.au/s/Dividend-Reinvestment-Plan-Rules.pdf.

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

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2021 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.

New Acquisitions

The Consolidated Entity is pleased to announce that, during the period from 31 December 2021 to 25 February 2022, binding sale agreements were executed to acquire the following businesses:

- Re-Wired Hand Therapy & Nerve Recovery, comprising four occupational hand therapy clinics located in East Melbourne, Chadstone, Berwick & Dandenong (Victoria); and
- Restore Movement Physiotherapy, comprising one physiotherapy clinic in Ashwood, Victoria. This acquisition has also since reached settlement.

Total consideration for the acquisitions (plus stock, less employee entitlements) is as follows:

- Upfront cash consideration: $1.27 million
- Issue of Clinic Class Shares: $0.43 million
- Total upfront consideration: $1.70 million

In addition to the upfront consideration, contingent consideration of up to $0.08 million will become payable in cash, subject to the achievement of pre-defined earnings targets.

These acquisitions are expected to contribute the following pro-forma earnings to the Consolidated Entity:

- Revenue: $2.00 million
- EBITDA: $0.40 million

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 T Richards

Dr Glen Frank Richards
Director

28 February 2022

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

As lead auditor of Healthia Limited for the half-year ended 31 December 2021, 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, 28 February 2022

Contents

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 27 February 2022.

Healthia Limited and its Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Revenue from contracts with customers	3	91,677	60,807
Other income	4	1,343	8,278
Fair value movement of contingent consideration	15	1,550	-
Expenses			
Changes in inventories		1,343	4,058
Raw materials and consumables used		(10,234)	(9,405)
Employee benefits expense		(55,957)	(37,162)
Occupancy costs		(2,206)	(1,535)
Marketing costs		(1,655)	(575)
Other expenses		(4,761)	(3,196)
Impairment of receivables		(141)	(143)
Acquisition and integration costs		(4,700)	(2,209)
Share-based payments expense		(772)	(270)
Depreciation expense		(8,586)	(5,128)
Amortisation expense		(776)	(387)
Finance costs		(2,572)	(1,568)
Profit before income tax expense		3,553	11,565
Income tax expense		(1,698)	(3,889)
Profit after income tax expense for the half-year		1,855	7,676
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		1,855	7,676
Profit for the half-year is attributable to:			
Non-controlling interest		1,941	2,766
Owners of Healthia Limited		(86)	4,910
		1,855	7,676
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		1,941	2,766
Owners of Healthia Limited		(86)	4,910
		1,855	7,676
		Cents	Cents
Basic earnings per share	19	(0.08)	7.10
Diluted earnings per share	19	(0.08)	6.79

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 2021

	Note	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Assets			
Current assets			
Cash and cash equivalents		7,222	5,816
Trade and other receivables		7,001	4,201
Inventories		9,348	8,005
Other assets		3,084	2,778
Total current assets		26,655	20,800
Non-current assets			
Investments accounted for using the equity method		19	19
Property, plant and equipment	6	15,543	12,320
Right-of-use assets	7	59,546	40,345
Intangibles	8	237,822	137,534
Deferred tax		6,618	4,525
Total non-current assets		319,548	194,743
Total assets		346,203	215,543
Liabilities			
Current liabilities			
Trade and other payables		14,934	11,800
Borrowings	9	775	1,674
Lease liabilities		16,169	11,212
Income tax		1,026	3,668
Employee benefit obligations		11,085	6,840
Provisions		169	310
Other liabilities	10	2,362	1,745
Total current liabilities		46,520	37,249
Non-current liabilities			
Borrowings	9	69,206	48,330
Lease liabilities		47,734	32,907
Derivative financial instruments		239	240
Employee benefit obligations		946	660
Provisions		2,433	1,648
Other liabilities	10	5,161	1,982
Total non-current liabilities		125,719	85,767
Total liabilities		172,239	123,016
Net assets		173,964	92,527
Equity			
Issued capital	11	143,777	79,578
Reserves	12	(2,747)	(3,519)
Retained profits/(accumulated losses)		(1,978)	320
Equity attributable to the owners of Healthia Limited		139,052	76,379
Non-controlling interest	13	34,912	16,148
Total equity		173,964	92,527

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 2021

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'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	12,669	-	-	-	12,669
Issue of ordinary shares as consideration for business combination	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	-	-	-	990	990
Transactions with non-controlling interests	-	-	-	(331)	(331)
Distributions paid to non-controlling interest	-	-	-	(3,034)	(3,034)
Dividends paid	-	-	(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 changes in equity
For the half-year ended 31 December 2021

Consolidated	Issued capital $'000	Reserves $'000	Retained profits / Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2021	79,578	(3,519)	320	16,148	92,527
Profit/(loss) after income tax expense for the half-year	-	-	(86)	1,941	1,855
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(86)	1,941	1,855
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 11)	58,229	-	-	-	58,229
Issue of ordinary shares as consideration for business combination (note 11)	5,771	-	-	-	5,771
Issued as part of Dividend Reinvestment plan (note 11)	199	-	-	-	199
Issue of Performance Rights (note 11)	-	772	-	-	772
Contributions of clinic class shares	-	-	-	81	81
Issue of clinic class shares as consideration for business combinations (note 18)	-	-	-	18,386	18,386
Buy-back of clinic class shares	-	-	-	(220)	(220)
Distributions paid to non-controlling interest	-	-	-	(1,424)	(1,424)
Dividends received	-	-	43	-	43
Dividends paid (note 14)	-	-	(2,255)	-	(2,255)
Balance at 31 December 2021	143,777	(2,747)	(1,978)	34,912	173,964

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 2021

	Note	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		90,754	64,625
Payments to suppliers and employees (inclusive of GST)		(75,324)	(52,563)
		15,430	12,062
Interest received		1	4
Government grants (Covid-19)		622	10,792
Interest and other finance costs paid		(2,572)	(1,568)
Income taxes paid		(5,187)	(2,174)
Net cash from operating activities		8,294	19,116
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	18	(71,346)	(37,664)
Payments of contingent business purchases consideration	15	(276)	(1,496)
Payments of deferred business purchases consideration		(1,065)	-
Payments for property, plant and equipment	6	(1,471)	(1,221)
Payments for intangibles	8	(3)	-
Net cash used in investing activities		(74,161)	(40,381)
Cash flows from financing activities			
Proceeds from issue of shares		60,032	14,488
Share issue transaction costs	11	(2,576)	(798)
Proceeds from issue of clinic class shares		81	497
Buy-back of clinic class shares		(220)	(733)
Proceeds from borrowings		20,876	18,960
Repayment of Related party loan		-	100
Dividends received		43	-
Dividends paid	14	(2,255)	(1,210)
Repayment of lease liabilities		(6,385)	(4,020)
Distributions paid non-controlling interest		(1,424)	(3,033)
Net cash from financing activities		68,172	24,251
Net increase in cash and cash equivalents		2,305	2,986
Cash and cash equivalents at the beginning of the financial half-year		4,142	4,159
Cash and cash equivalents at the end of the financial half-year (net of overdraft)	5	6,447	7,145

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 2021 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 2021 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 2021, whilst the Consolidated Entity has a working capital deficiency of $19.87 million, $16.17 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 288 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 $0.66 million relate to contingent consideration for business acquisitions (earn-outs), which will only be achieved if cash flow generation remains as forecast;
- Employee benefit obligations of $11.09 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 $1.23 million of unutilised 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, Bodies & Minds 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. Underlying EBITDA is reported on a pre-AASB16 basis, with property lease costs recognised as standard occupancy costs.

The Consolidated Entity has included underlying EBITDA. This measure is not defined under IFRS.

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

Note 2. Operating segments (continued)

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

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

Presentation of revenue and results
Underlying results for the 6 months ended 31 December 2021 exclude the impact of non-recurring income and expenses such as acquisition and integration costs. Underlying EBITDA is reported on a pre-AASB16 basis, with property lease costs recognised as standard occupancy costs.

Note that the presentation of Underlying EBITDA has changed from the prior period to present Operating Segments on a pre-AASB16 basis, which is consistent with internal reporting utilised by the Consolidated Entity and other market disclosures, such as Investor Presentations.

Operating segment information

Consolidated - 31 Dec 2021	Feet & Ankles $'000	Bodies & Minds $'000	Eyes & Ears $'000	Other* $'000	Total $'000
Revenue					
Sales to external customers	27,594	45,875	18,208	-	91,677
Total revenue	27,594	45,875	18,208	-	91,677
EBITDA - underlying	5,388	8,452	4,154	(5,788)	12,206
	-	-	-	-	-
Addback property lease costs (**)	2,639	3,493	1,712	-	7,844
Depreciation and amortisation	(3,122)	(4,156)	(2,084)	-	(9,362)
Share-based payments expense	-	-	-	(772)	(772)
Finance costs	-	-	-	(2,572)	(2,572)
Acquisition and integration costs	-	-	-	(4,700)	(4,700)
COVID-19 costs	-	-	-	(641)	(641)
Fair value movement of contingent consideration	-	-	-	1,550	1,550
Profit/(loss) before income tax expense	4,905	7,789	3,782	(12,923)	3,553
Income tax expense					(1,698)
Profit after income tax expense					1,855
Other profit or loss disclosure:					
Employee benefits expense	(12,831)	(30,868)	(7,510)	(4,748)	(55,957)

* The 'Other' category comprises corporate functions and does not represent an operating segment.
** Property lease costs are included in the underlying EBITDA reported to the CODM. This reporting is not consistent with AASB 16, which requires leases to be presented on the statement of financial position, with the associated expenses to be recognised as depreciation and finance costs.
The property lease costs are therefore added back in this reconciliation between underlying EBITDA and statutory profit/(loss).

Note 2. Operating segments (continued)

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	7,677	5,983	1,237	(3,914)	10,983
Addback property lease costs (**)	2,283	2,042	312	-	4,637
Government grants (JobKeeper)	-	-	-	7,606	7,606
COVID-19 costs	-	-	-	(2,099)	(2,099)
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	7,033	5,807	1,179	(2,454)	11,565
Income tax expense					(3,889)
Profit after income tax expense					7,676
Other profit or loss disclosure:					
Employee benefits expense	(13,774)	(19,322)	(1,317)	(2,749)	(37,162)

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

** Property lease costs are included in the underlying EBITDA reported to the CODM. This reporting is not consistent with AASB 16, which requires leases to be presented on the statement of financial position, with the associated expenses to be recognised as depreciation and finance costs.
The property lease costs are therefore added back in this reconciliation between underlying EBITDA and statutory profit/(loss).

Note 3. Revenue from contracts with customers

	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Rendering of services	69,535	52,472
Sale of goods	22,142	8,335
Revenue from contracts with customers	91,677	60,807

Note 3. Revenue from contracts with customers (continued)

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

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Major segment lines		
Feet & Ankles	27,594	28,880
Bodies & Minds	45,875	27,791
Eyes & Ears	18,208	4,136
	91,677	60,807
Geographical regions		
Australia	90,878	60,452
United States	567	355
New Zealand	232	-
	91,677	60,807
Timing of revenue recognition		
Goods and services transferred at a point in time	91,677	60,807

Note 4. Other income

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Government grants (Covid-19)	622	7,606
Interest	1	4
Sub-tenant rent	583	476
Other income	137	192
Other income	1,343	8,278

Government grants (Covid-19)
During the Coronavirus ('Covid-19') pandemic, the Consolidated Entity received JobSaver support payments from the NSW State Government. 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.

Note 5. Cash and cash equivalents reconciliation to consolidated statement of cash flow

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Cash at bank and on hand	7,222	5,816
Bank Overdraft (see Note 9)	(775)	(1,674)
Balance per consolidated statement of cash flow	6,447	4,142

Note 6. Property, plant and equipment

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Non-current assets		
Leasehold improvements - at cost	9,544	8,530
Less: Accumulated depreciation	(4,690)	(4,384)
	4,854	4,146
Plant and equipment - at cost	23,992	20,007
Less: Accumulated depreciation	(13,303)	(11,833)
	10,689	8,174
	15,543	12,320

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

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2021	4,146	8,174	12,320
Additions	319	1,152	1,471
Additions through business combinations (note 18)	725	2,708	3,433
Disposals	(9)	(41)	(50)
Depreciation expense	(327)	(1,304)	(1,631)
Balance at 31 December 2021	4,854	10,689	15,543

Note 7. Right-of-use assets

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Non-current assets		
Land and buildings - right-of-use	83,099	56,942
Less: Accumulated depreciation	(23,754)	(16,840)
	59,345	40,102
Plant and equipment - right-of-use	622	622
Less: Accumulated depreciation	(421)	(379)
	201	243
	59,546	40,345

Note 7. 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 2021	40,102	243	40,345
Additions	9,686	-	9,686
Additions through business combinations (note 18)	16,471	-	16,471
Depreciation expense	(6,914)	(42)	(6,956)
Balance at 31 December 2021	59,345	201	59,546

The additions into Right-of-use assets are related to the changes in the terms and conditions of leases, i.e. taking options on extension and re-assessment of the lease term.

Note 8. Intangibles

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Non-current assets		
Goodwill - at cost	231,777	133,650
Trademarks	255	255
Customer lists	8,295	5,361
Less: Accumulated amortisation	(2,851)	(2,133)
	5,444	3,228
Software - at cost	702	699
Less: Accumulated amortisation	(356)	(298)
	346	401
	237,822	137,534

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 2021	133,650	255	3,228	401	137,534
Additions	-	-	-	3	3
Additions through business combinations (note 18)	98,127	-	2,934	-	101,061
Amortisation expense	-	-	(718)	(58)	(776)
Balance at 31 December 2021	231,777	255	5,444	346	237,822

Note 9. Borrowings

	Consolidated 31 Dec 2021 $'000	30 Jun 2021 $'000
Current liabilities		
Bank overdraft	775	1,674
Non-current liabilities		
Bank loans	69,206	48,330
	69,981	50,004

Note 10. Other liabilities

	Consolidated 31 Dec 2021 $'000	30 Jun 2021 $'000
Current liabilities		
Contingent consideration	662	680
Deferred consideration	1,700	1,065
	2,362	1,745
Non-current liabilities		
Contingent consideration	5,161	1,982
	7,523	3,727

Refer note 15 for details on fair value measurement.

Note 11. Issued capital

	Consolidated 31 Dec 2021 Shares '000	30 Jun 2021 Shares '000	31 Dec 2021 $'000	30 Jun 2021 $'000
Ordinary shares - fully paid	126,867	90,205	143,777	79,578

Movements in ordinary share capital

Details	Date	Shares '000	Issue price	$'000
Balance	1 July 2021	90,205		79,578
Issue of ordinary shares - Institutional Entitlement Offer	28 September 2021	24,717	$1.80	44,491
Issue of ordinary shares - acquisition of businesses	5 October 2021	3,069	$1.80	5,525
Issue of ordinary shares - acquisition of businesses	12 October 2021	65	$1.78	116
Issue of ordinary shares - acquisition of businesses	12 October 2021	55	$1.78	97
Issue of ordinary shares - Retail Entitlement Offer	13 October 2021	8,634	$1.80	15,542
Issue of ordinary shares - Dividend Reinvestment Plan	28 October 2021	106	$1.87	199
Issue of ordinary shares - acquisition of businesses	30 November 2021	16	$2.15	33
Share issue transaction costs (net of tax)				(1,804)
Balance	31 December 2021	126,867		143,777

Note 12. Reserves

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Share-based payments reserve	2,607	1,835
Transactions with non-controlling interest reserve	(2,860)	(2,860)
Pre-IPO distributions reserve	(2,494)	(2,494)
	(2,747)	(3,519)

Movements in reserves
Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Share-based payments reserve $'000	Transactions with non-controlling interest reserve $'000	Pre-IPO distributions reserve $'000	Total $'000
Balance at 1 July 2021	1,835	(2,860)	(2,494)	(3,519)
Share-based payments	772	-	-	772
Balance at 31 December 2021	2,607	(2,860)	(2,494)	(2,747)

Note 13. Non-controlling interest

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Issued equity - Clinic Class shares and minority interests	33,576	15,329
Retained profits	1,336	819
	34,912	16,148

Note 14. Dividends

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

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Interim dividend for the year ended 31 December 2020 of 2.0 cents per ordinary share	-	1,210
Final dividend for the year ended 30 June 2021 of 2.5 cents per ordinary share	2,255	-
	2,255	1,210

As at the date of signing the financial half-year report, the Directors of Healthia Limited have recommended the payment of an interim fully franked dividend of 2.0 cents per share (31 December 2020: 2.0 cents per share) to the ordinary shareholders of Healthia Limited and has determined that Healthia’s Dividend Reinvestment Plan will operate for the interim dividend.

Note 15. 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 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swap	-	239	-	239
Contingent consideration	-	-	5,823	5,823
Total liabilities	-	239	5,823	6,062

Consolidated - 30 Jun 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swap	-	240	-	240
Contingent consideration	-	-	2,662	2,662
Total liabilities	-	240	2,662	2,902

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 consideration $'000
Balance at 1 July 2021	2,662
Additions - new business combinations (note 18)	4,987
Settlement of contingent consideration	(276)
Fair value movements - through profit or loss	(1,550)
Balance at 31 December 2021	5,823

Fair value adjustment associated with the reversal of contingent consideration which is no longer expected to be achieved.

Note 15. Fair value measurement (continued)

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	$22,641 - $373,269	If expected EBITDA were 10% higher, there would be an increase in fair value of $1,588,944. If expected EBITDA was 10% lower, there would be a decrease in fair value of $1,777,214.

Note 16. Commitments

On 24 December 2021, the Consolidated Entity announced (via the Australian Stock Exchange platform) that it had entered into binding agreements to acquire LensPro Optometrists, a leading independent optometry business in South-East Queensland comprising 8 optometry stores.

Total consideration for the acquisitions (plus stock, less employee entitlements) is as follows:

- Upfront cash consideration: $6.40 million.

The acquisitions are expected to contribute the following proforma earnings to the Consolidated Entity:

- Revenue: $7.20 million;
- EBITDA: $1.33 million.

In addition to the upfront consideration, contingent consideration of up to $0.33 million may become payable as cash consideration, subject to the achievement of pre-defined conditions.

Consideration for the acquisitions is expected to be funded through utilising existing cash reserves and the Consolidated Entity's existing finance facility with ANZ, NAB and BOQ.

Note 17. Related party transactions

Parent entity
Healthia Limited is the parent entity.

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

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Other transactions:		
Rent and outgoings paid to entities controlled by director Darren Stewart	156,080	169,475
Rent and outgoings paid to entities controlled by director Anthony Ganter	144,597	133,450
Rent and outgoings paid to entities controlled by key management personnel Dean Hartley	93,738	82,668
Rent and outgoings paid to entities controlled by key management personnel Lisa Roach	125,598	120,405
Payment for bookkeeping services to an entity associated with Wesley Coote	179,288	133,450
Payment for service (orthotics and prosthetics manufacturing) to an entity associated with Director Darren Steward	-	157,441
Deferred cash payment for the acquisition of businesses associated with director Colin Kangisser	1,065,044	-
Ordinary shares issued for the acquisition of businesses associated with director Colin Kangisser	-	12,126,000
Cash payment for the acquisition of businesses associated with director Colin Kangisser	-	32,028,000

Note 17. Related party transactions (continued)

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.

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

Note 18. Business combinations

Acquisition of The Back in Motion Group (Bodies & Minds Division)

On 20 September 2021, it was announced that the Consolidated Entity had entered binding agreements to acquire the Back In Motion Health Group (BIM), comprising the businesses of the 63 Back In Motion physiotherapy clinics and the shares in BIM IP Pty Ltd, which owned the brands, trademarks and other intellectual property.

The Back In Motion clinic acquisitions were settled over the period to 5 October 2021 through 23 December 2021 as landlord consents and other conditions precedent were satisfied.

The goodwill is attributable mainly to the skills, technical talent and established clinics chain of BIM'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 $91.66 million including $64.51 million in cash consideration, $5.77 million in ordinary Healthia Limited share consideration, $1.70 million payable in deferred consideration, and a fair value of $4.01 million payable in contingent consideration which may become payable between 12 and 36 months after the completion date. Note that recognition of the contingent consideration remains provisional.

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

Business combinations have been accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognised 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 initially measured on a provisional basis as at 31 December 2021:
- The fair value of BIM's identifiable intangible assets has been measured provisionally, pending completion of an independent valuation analysis.
- The goodwill balance may be adjusted upon independent valuation analysis of the identifiable intangible assets and contingent considerations.

For the 6 months ended 31 December 2021, BIM contributed revenue of $11.32 million and EBITDA of $2.39 million (less lease payments or pre-AASB 16 change) to the Group. If these acquisitions had been held for a full 6 months period (by extrapolating the actual performance, and assuming no impacts from COVID lockdowns, restrictions and outbreaks), the acquired businesses would have contributed revenue of $30.20 million and EBITDA (less lease payments or pre-AASB 16 change) of $6.01 million to the Consolidated Entity.

Acquisition of PhysioWorks Group (Bodies and Minds Division)

The Consolidated Entity acquired the business named PhysioWorks, a group of five physiotherapy businesses located in South East Queensland. Initial consideration paid for the acquisition was $2.21 million including $1.81 million in cash consideration and $0.41 million in Clinic Class Shares consideration.

For the 6 months ended 31 December 2021, PhysioWorks Group contributed revenue of $0.18 million and EBITDA of $(0.01) million (less lease payments or pre-AASB 16 change) to the Consolidated Entity. If these acquisitions had been held for a full 6 month period (by extrapolating the actual performance and assuming no impacts from COVID lockdowns, restrictions and outbreaks), the acquired businesses would have contributed revenue of $0.93 million to the Consolidated Entity.

Note 18. Business combinations (continued)

Acquisition of Other Bodies and Minds Clinics

The Consolidated Entity acquired an additional 8 physiotherapy clinics during the current period. Initial consideration paid for acquisitions was $7.81 million including $4.55 million in cash consideration, $2.28 million in Clinic Class Shares, with up to an additional $0.98 million in contingent consideration.

For the 6 months ended 31 December 2021, the acquired businesses contributed revenue of $2.36 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.48 million to the Consolidated Entity. If these acquisitions had been held for a full 6 month period (by extrapolating the actual performance and assuming no impacts from COVID lockdowns, restrictions and outbreaks), the acquired businesses would have contributed revenue of $4.45 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.84 million to the Consolidated Entity.

Acquisition of other Eyes and Ears clinics

The Consolidated Entity acquired additional 3 optical stores during the current period. Initial consideration paid for acquisition was $0.50 million including $0.46 million in cash consideration and $0.04 million in Clinic Class Shares.

For the 6 months ended 31 December 2021, the acquired businesses contributed revenue of $0.62 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.14 million to the Consolidated Entity. If these acquisitions had been held for a full 6 month period (by extrapolating the actual performance and assuming no impacts from COVID lockdowns, restrictions and outbreaks), the acquired businesses would have contributed revenue of $0.65 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.15 million to the Consolidated Entity.

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 $0.02 million in cash consideration.

For the 6 months ended 31 December 2021, the acquired business contributed revenue of $0.03 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.01 million to the Consolidated Entity. If the acquisitions had been held for a full 6 month period (by extrapolating the actual performance and assuming no impacts from COVID lockdowns, restrictions and outbreaks), the acquired business would have contributed revenue of $0.06 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.01 million to the Consolidated Entity.

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 18. Business combinations (continued)

Details of the acquisitions are as follows:

	Feet & Ankles Division	Bodies and Minds Division			Eyes & Ears Division	
	Others Provisional Fair value $'000	PhysioWorks Provisional Fair value $'000	BIM Provisional Fair value $'000	Others Provisional Fair value $'000	Others Provisional Fair value $'000	Total $'000
Trade receivables	-	-	1,257	-	-	1,257
Inventories	1	49	764	58	60	932
Other assets	-	8	407	44	8	467
Plant and equipment	15	165	2,621	504	128	3,433
Right-of-use assets	18	432	13,146	2,431	444	16,471
Customer lists	-	109	2,455	320	50	2,934
Deferred tax asset	5	154	5,008	818	152	6,137
Deferred tax liability	(5)	(162)	(4,680)	(825)	(148)	(5,820)
Employee benefits	-	(82)	(3,546)	(296)	(62)	(3,986)
Lease liability	(18)	(432)	(13,146)	(2,431)	(444)	(16,471)
Other liabilities	(9)	(43)	(1,100)	(94)	(45)	(1,291)
Net assets acquired	7	198	3,186	529	143	4,063
Goodwill	8	2,016	88,470	7,276	357	98,127
Acquisition-date fair value of the total consideration transferred	15	2,214	91,656	7,805	500	102,190
Representing:						
Cash paid or payable to vendor	15	1,807	64,514	4,548	462	71,346
Healthia Limited shares issued to vendor	-	-	5,771	-	-	5,771
Contingent consideration	-	-	4,010	977	-	4,987
Deferred Consideration	-	-	1,700	-	-	1,700
Clinic Class Shares issued to vendor(s)	-	407	15,661	2,280	38	18,386
	15	2,214	91,656	7,805	500	102,190
Cash used to acquire business, net of cash acquired:						
Acquisition-date fair value of the total consideration transferred	15	2,214	91,656	7,805	500	102,190
Less: contingent consideration	-	-	(4,010)	(977)	-	(4,987)
Less: deferred consideration	-	-	(1,700)	-	-	(1,700)
Less: Healthia Limited shares issued to vendor	-	-	(5,771)	-	-	(5,771)
Less: Clinic Class Shares issued to vendor(s)	-	(407)	(15,661)	(2,280)	(38)	(18,386)
Net cash used	15	1,807	64,514	4,548	462	71,346

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

Note 18. Business combinations (continued)

Accounting policy for business combinations

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

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

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

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

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

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

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

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 $1.26 million.

Note 18. Business combinations (continued)

Acquisition and integration related costs of $4.70 million are included in the consolidated statement of profit or loss and other comprehensive income.

Note 19. Earnings per share

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Profit after income tax	1,855	7,676
Non-controlling interest	(1,941)	(2,766)
Profit/(loss) after income tax attributable to the owners of Healthia Limited	(86)	4,910
	Number '000	Number '000
Weighted average number of ordinary shares used in calculating basic earnings per share	108,282	69,152
Adjustments for calculation of diluted earnings per share:		
Performance rights	3,481	3,204
Weighted average number of ordinary shares used in calculating diluted earnings per share	111,763	72,356
	Cents	Cents
Basic earnings per share	(0.08)	7.10
Diluted earnings per share	(0.08)	6.79

Note 20. Events after the reporting period

No matter or circumstance has arisen since 31 December 2021 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.

New Acquisitions

The Consolidated Entity is pleased to announce that, during the period from 31 December 2021 to 25 February 2022, binding sale agreements were executed to acquire the following businesses:

- Re-Wired Hand Therapy & Nerve Recovery, comprising four occupational hand therapy clinics located in East Melbourne, Chadstone, Berwick & Dandenong (Victoria); and
- Restore Movement Physiotherapy, comprising one physiotherapy clinic in Ashwood, Victoria. This acquisition has also since reached settlement.

Total consideration for the acquisitions (plus stock, less employee entitlements) is as follows:

- Upfront cash consideration: $1.27 million
- Issue of Clinic Class Shares: $0.43 million
- Total upfront consideration: $1.70 million

In addition to the upfront consideration, contingent consideration of up to $0.08 million will become payable in cash, subject to the achievement of pre-defined earnings targets.

The acquisitions are expected to contribute the following proforma earnings to the Consolidated Entity:

- Revenue: $2.00 million
- EBITDA: $0.40 million

Healthia Limited and its Controlled Entities
Directors' declaration
31 December 2021

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 2021 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

Dr Glen Frank Richards
Director

28 February 2022

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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 2021, 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 significant 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 2021 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 2021 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, 28 February 2022