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 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	34.9%	to	123,647
Profit from ordinary activities after tax attributable to the owners of Healthia Limited	up	4779.1%	to	4,024
Profit for the half-year attributable to the owners of Healthia Limited	up	4779.1%	to	4,024

	31 Dec 2022 Cents	31 Dec 2021 Cents
Basic earnings per share	3.02	(0.08)
Diluted earnings per share	2.94	(0.08)

Dividends
2023 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 2023 interim dividend declared are as follows:
- Ex-Date: Friday, 3 March 2023;
- Record date: Monday, 6 March 2023;
- DRP Election Date: Tuesday, 7 March 2023; and
- Payment date: Monday, 27 March 2023.

A fully underwritten Dividend Reinvestment Plan will operate for the 2023 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 - H123	2.0 cents per share	100%
Previous corresponding period		
Interim dividend - H122	2.0 cents per share	100%

Record date for determining entitlements to the interim dividends: 6 March 2023

Comments
The profit for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $4,024,000 (31 December 2021: loss of $86,000).

An explanation of the statutory and 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	(52.40)	(55.55)

Calculated as follows:

	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Net assets	188,698	173,964
Less: Intangibles	(253,997)	(237,822)
Less: Deferred tax asset	(7,008)	(6,618)
Net tangible assets	(72,307)	(70,476)
Total shares issued (no.)	137,977,589	126,867,502

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
2023 Interim Dividend Declared
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Interim dividend - H123	2.0 cents per share	100%
Previous corresponding period		
Interim dividend - H122	2.0 cents per share	100%

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7. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	**Reporting period %**	**Previous period %**	**Reporting period $'000**	**Previous period $'000**
Access Ortho Pty Ltd (previously named Fracture Holdco Pty Ltd)	35.00%	40.00%	-	-
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 2022 is attached.

11. Signed

Signed ____________________________ Date: 28 February 2023

Dr Glen Frank Richards
Director

Healthia Limited and its Controlled Entities

ACN 626 087 223

Half Year Financial Report - 31 December 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Healthia Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

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
Lisa Michelle Roach
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 2022 $'000	31 Dec 2021 $'000
Dividends paid	-	2,255

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 2021: 2.0 cents per share) to the ordinary shareholders of Healthia Limited and has determined that Healthia’s Dividend Reinvestment Plan (DRP) will operate for the interim dividend. Any shortfall from the DRP will be fully underwritten.

Review of operations

The profit for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $4,024,000 (31 December 2021: loss of $86,000).

1. Strategy Reset

During the period the Consolidated Entity implemented its “4-3-4” strategy, which embodies and builds on its previous stated strategy, and is made up of the following:

- 4x key strategies for continued growth;
- 3x unique selling propositions that support these strategies; and
- 4x ambitious but measurable outcomes from the strategies.

4x Key Growth Strategies

The 4 key growth strategies of focus for the Consolidated Entity are:

(1) Extensive Coverage - Continued network expansion, striving to ensure our products & services are accessible to at least 50% of Australian and New Zealanders;

(2) Innovation – Continuous improvement & innovation to remain at our core, ensuring the Consolidated Entity is seen as leaders in the allied health industries it operates in;

(3) Quality - Delivering quality and excellence in products & services to patients and customers, driven by education programs and the vertically integrated business units of:
• AED - which owns a number of leading eyewear brands that are exclusive to the Consolidated Entities optometry stores;
• DBS - a leading podiatry and medical supplies wholesaler; and
• iOrthotics - Australia's largest and leading orthotics manufacturing laboratory which specialises in 3D printing.

(4) Growth - A focus on strong culture, performance & compliance to drive organic growth & opportunities for all Healthia team members, patients, customers & shareholders.

3x Unique Selling Points

The 3 unique selling points of the Consolidated Entity are:

(1) Clinician Led – being clinician led through members of the Consolidated Entity's Board, Executive Team and Senior Management Team maximises the knowledge and experience of industry experts. The clinician led strategy also includes the Consolidated Entity's Clinic Class Share model, which allows clinicians to have ownership in the clinic they work in;

(2) Technology Enabled – utilising technology to drive efficiencies at the clinic and store level and via a centralised service delivery model to maximise patient and customer experience as well as supporting Healthia team members in the delivery of our products and services; and

(3) Professional Development and Education – setting standards for quality and improving staff retention through the delivery of a recognised professional development and education programme to all team members which provides diverse, relevant and accessible professional development opportunities with the Consolidated Entity.

4x Ambitious but Measurable Outcomes

The 4 measurable outcomes determining the success of the Consolidated Entities strategies are:

(1) Delivery of greater than 20 hours of professional development and education to each team member per year;

(2) Completion of the Consolidated Entities Technology Roadmap with 100% of the portfolio working from this platform;

(3) A culture score of 65%+ as measured by external consultants Best Practice Australia; and

(4) Net Promoter Score of 80+ recognising that patients and customers are receiving the desired clinical outcomes to support them in being healthy and happy.

The "4-3-4" strategy is aimed at delivering sustainable growth for the Consolidated Entity's shareholders. Furthermore, it is designed to engage team members of the Consolidated Entity and to connect its patients and customers with the allied health products and services that will support them in living happier and healthier lives.

2. H123 in Review

The key highlights for the half-year ended 31 December 2022 for the Consolidated Entity included the following:

- Revenue growth during H123 increased to $123.6 million (H122:$91.7 million), or by 34.9% on prior period;
- Organic revenue[1] for the period grew by 5.4% within the Consolidate Entity's target range of 3%-6% per annum;
- EBITDA(u)[2] increased to $18.1 million (H122: $12.2 million), or by 48.1% on prior period;
- $8.3 million of capital deployed to acquire 10 physiotherapy clinics and 2 hand therapy clinics;
- $1.9 million of expansionary capital spend to expand services in 8 of the Consolidate Entity's locations;
- In September 2022, the Consolidated Entity completed an equity raising from existing shareholders for approximately $11.0 million, with funds raised used to support working capital and to help fund acquisitions;
- In October 2022 the Consolidated Entity ran its biannual integrated allied health conference, Inspired 2022. The conference is a key staff retention strategy for the group and was attended by over 1,000 of the Consolidated Entity's clinicians and administration staff in attendance;
- 120 new graduate clinicians and therapists (FY21:154) were recruited during the period and subsequently commenced their structured graduate induction training on 3 February 2023.

1. *Organic revenue, or like for like sales growth, reflects revenue which has been calculated by excluding any closed businesses and businesses not held during the period. An adjustment has also been made so that trading days are consistent in the period.*

2. *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.*

During the period, the Consolidated Entity also experienced material impacts on its financial performance from:

- Materially higher staff absenteeism due to COVID-19 related illness and Government imposed close contact/isolation mandates. Improvements in staff absenteeism were experienced once the Government imposed isolation periods were eased, or withdrawn entirely;
- Patient and customer appointment cancellations increased and the rebooking of those cancelled patients and customers to alternate times also decreased. Improvements in patient and customer cancellations were experienced once the Government imposed isolation periods were eased, or withdrawn entirely;
- The running of the biannual integrated allied health conference, Inspired 2022, had some impacts on trading, as staff members were absent from their clinics or stores while they attended the conference, which had an approximate net cost to the Consolidated Entity of $0.65 million (H122: nil); and
- Impacts from the Queen's Memorial Day public holiday which saw the Consolidated Entity lose an unexpected day of trading in the period, with a loss of revenue from the public holiday estimated at $0.96 million.

Other than an adjustment for abnormally high levels of personal leave taken in the first quarter of FY23, the above impacts have not been normalised in the underlying performance of the Consolidated Entity in this report.

3. Financial Overview - Statutory Performance

The H123 statutory performance compared to the prior comparative period (half-year ended 31 December 2021 ('H122' or 'PCP')) is shown in Table 1 below.

Table 1: H123 statutory performance compared to the PCP

	31 Dec 2022 $'000	31 Dec 2021 $'000	Change $'000	Change %
Revenue	123,647	91,677	31,970	35%
Other Income	1,356	1,343	13	1%
Net profit after income tax expense	6,399	1,855	4,544	245%
Non-controlling interest	2,375	1,941	434	22%
NPAT attributable to the owners of Consolidated Entity[1]	**4,024**	**(86)**	**4,110**	**N/A**

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

The growth in the Consolidated Entity's net profit after income tax expense over PCP was $4.5 million, or 245.0%, and can be attributed to:

- The timing of acquisitions made in prior comparative periods where the Consolidated Entity deployed approximately $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);
- The impacts from acquisition and integration costs of the 80 new businesses acquired during the period (H123: 12 new businesses acquired) and other one-off non-recurring income and expenses associated with these acquisitions made during the prior comparative period; and
- During the prior comparative 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. This impacts net profit after income tax expense from lower than expected revenue due to these COVID-19 related Government imposed restrictions and lockdowns as well as other unavoidable fixed costs incurred during the prior comparative period.

The Consolidated Entity's non-controlling interest in H123 of $2.38 million (H122: $1.94 million) represents an increase over the prior period of 22.3%. The increase is attributed to:

- The timing of acquisitions where the Consolidated Entity deployed approximately $102 million on acquisitions in the prior period which included part consideration of $18.4 million relating to the issue of Clinic Class Shares to the vendors; and
- Clinic Class Share ownership growth to a total of 5,423 (H122: 5,214) Clinic Class Shares on issue, or an increase over the prior period of 4%.

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 newly acquired businesses 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 on an unaudited basis in Table 3.

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

Table 2: Underlying H123 performance compared to PCP

	31 Dec 2022 $'000	31 Dec 2021 $'000	Change $'000	Change %
This table has not been audited				
Underlying Revenue[1]	124,970	93,019	31,951	34%
Underlying EBITDA[3,4] (removing impact of AASB16)	18,084	12,206	5,878	48%
Underlying NPATA[5]	9,204	6,206	2,998	48%
Non-controlling interest (NCI)	2,375	1,916	459	24%
Net post-tax P&L impact of AASB16 adoption[6]	554	338	216	64%
Underlying NPATA attributable to the owners of Healthia Limited (removing impact of AASB16)[5]	**7,383**	**4,629**	**2,754**	**59%**
Underlying EBITDA margin (removing impact of AASB16)[3,4]	14.47%	13.12%	1.35%	135 bps
Underlying NPATA margin (removing impact AASB16)[5]	5.91%	4.98%	0.93%	93 bps
Underlying Basic EPS (cents, removing impact AASB16)[7]	5.53	4.27	1.26	29.5%
NCI / Underlying NPATA[8]	24.34%	29.28%	(4.94%)	(494 bps)

1. For the purposes of underlying results, the Consolidated Entity has included $0.62 million NSW JobSaver revenue subsidies received in H122 (H123: nil);

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 has been adjusted for the impacts of AASB16. Lease payments of $9.7 million (H122: $7.8 million) have been included to reverse the impacts of AASB16 on EBITDA;

4. 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;

5. The net post-tax P&L impact of the new leasing standard, AASB16, has been added back to NPATA. The pre-tax impact of AASB 16 'Leases' in the current period is comprised of the following: occupancy costs decreased by $9.7 million (H122: $7.8 million), depreciation expense increased by $9.2 million (H122: $6.9 million), and finance costs increased by $1.2 million (H122: $1.3 million). 6. 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 being 133.5 million (H122: 108.2 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 growth of $31.9 million, or 34.3% over PCP can be attributed to:

- The deployment of $102 million of capital on 80 new acquisitions during the prior comparative 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 the acquisitions made during the current period (comprising 12 businesses within the Bodies & Minds division); and
- The prior comparative 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. This saw lower than expected revenue due to these COVID-19 related Government imposed restrictions.

The Consolidated Entity's Underlying EPS[1] (removing impact AASB16) of 5.53 cents per share (H122: 4.27 cents per share) represents an increase of 29.5% from the prior period due to:

- The prior comparative 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. This impacts on net profit after income tax expense from lower than expected revenue due to these COVID-19 related Government imposed restrictions and lockdowns as well as other unavoidable fixed costs incurred during the prior comparative period; and
- The Back In Motion (BIM) clinic acquisitions reaching settlement throughout the prior comparative 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).

1. 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 being 133.5 million (H122: 108.2 million). Underlying EPS has not been audited.

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

	31 Dec 2022 $'000	31 Dec 2021 $'000	Change $'000	Change %
This table has not been audited				
Underlying NPATA attributable to the owners of Healthia Limited (removing impact of AASB16)[1]	7,383	4,629	2,754	59%
Less: COVID-19 related expenses[2]	(451)	(641)	190	(30%)
Less: Acquisition & Integration costs[3]	(1,996)	(4,542)	2,546	(56%)
Less: Restructuring costs and discontinued operations[4]	(1,839)	(158)	(1,681)	1064%
Less: Share-based payments expense and associated costs[5]	(209)	(772)	563	(73%)
Less: Amortisation[6]	(916)	(776)	(140)	18%
Less: Net impact of AASB16[7]	(554)	(338)	(216)	64%
Add: Fair Value movements of contingent consideration[8]	1,243	1,550	(307)	(20%)
Net taxation impact	1,363	962	401	42%
Statutory NPAT[1] attributable to the owners of Healthia Limited	**4,024**	**(86)**	**4,110**	

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. One-off identifiable expenses related to the COVID-19 pandemic, abnormally high personal leave taken by staff and related lockdowns and restrictions costs;
3. The Consolidated Entity incurred a number of one-off acquisition and integration costs in relation to the acquisition of the 12 allied health business acquired during the period (H122: 80 allied health businesses acquired). The Consolidated Entity also incurred a number of one off costs associated with the ongoing integration of the 107 allied health businesses acquired (H123: 12 allied health business, FY22: 95 allied health business) over the last 18 months;
4. The size and scale of the Consolidated Entity has changed with the acquisition of 107 allied health businesses in the last 18 months (H123: 12 allied health business, FY22: 95 allied health business). To ensure the Consolidated Entity is running an efficient centralised support function, a number of redundancies and one-off restructuring cost have been incurred during the period. Restructuring costs also related to the costs and earnings associated with allied health businesses which have been merged, relocated, closed or are in the process of being closed during the period.
5. 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;
6. Amortisation of customer lists during the current period;
7. 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; and
8. Fair value adjustment associated with the adjustment or reversal of contingent consideration which is impacted due to COVID-19.

6. Acquisitive Growth

The Consolidated Entity has seen significant acquisitive growth since 1 July 2021 with 107 allied health businesses acquired to 31 December 2022 (H123: 12 allied health businesses, FY22: 95 allied health businesses).

In FY23 to date, the Consolidated Entity has deployed $8.5 million towards acquisitions to 31 December 2022 and announced a further $14.0 million to be deployed prior to the end of FY23, which combined, totals $22.5 million of capital deployed, or to be deployed, in FY23 and exceeds the Consolidated Entity's target of $20.0 million of capital per annum.

Given the fragmented nature of the targeted allied health industries, acquisitions will continue to be a focus of the Consolidated Entity's "4-3-4" strategy, with a goal of having extensive coverage of its allied health products and services so that 50% of Australian and New Zealanders can access these. 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 businesses. The Consolidated Entity will continue to assess growth opportunities on a case-by-case basis with reference to its existing network of clinics, strategic objectives and its disciplined acquisition criteria.

7. Expansionary Growth

The Consolidated Entity deployed $1.9 million of capital for expansionary growth to 31 December 2022 (8 allied health businesses). The expansionary capital was for the upgrade of existing allied health businesses and to allow for additional services to be offered from these locations, including but not limited, to the following:

- Charlestown, Newcastle – optometry store expanded to into additional services of audiology, podiatry and retail footwear – multi-disciplinary clinic.
- Ryrie Street, Geelong – optometry store expanded and renovated to include additional services of audiology.
- Brookside, Brisbane – footwear retail and podiatry store expanded to provide additional space for the growing podiatry services of the store.
- Carindale, Brisbane – Lenspro optometry store converted to The Optical Co. branding and audiology services introduced.

The $1.9 million does not incorporate any leasing incentives from the landlords (fit out contributions, rent free periods).

The $1.9 million spent is higher than the Consolidated Entity would typically expect to spend due to several the expansions being put off during COVID-19.

The Consolidated Entity expects to spend a further $1.1 million of capital to expand the service offering in serval locations to the end of FY23. Furthermore, planning is underway for the following greenfield location:

- Mt Gravatt, Brisbane – a purpose built multi-disciplinary clinic incorporating several of Helathia's allied health product and services. The new clinic is expected to open in late 2023.

8. Financial position and funding

During H123, the Consolidated Entity's financial position was impacted by the following key events:

- The deployment of $8.5 million of capital on 12 new acquisitions;
- The deployment of $1.9 million of extraordinary capital on allied health business expansions; and
- The Entitlement Offer, which was undertaken to support working capital and fund acquisitions, increased Issued Capital by $11.0 million (before underwriting fees and the costs of capital raising).

Whilst the Consolidated Entity had a working capital deficiency at 31 December 2022 of $18.5 million (FY22: $25.1 million), $17.8 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 319 business sites/clinics and a portion of these cash flows will be used to pay the respective lease liability repayments (property rents) when they fall due for payment.

With regards to the working capital deficiency, the Directors note:

- An internal cashflow forecast is prepared and regularly monitored, which shows adequate cash generation to cover current liabilities;
- During the period the Consolidated Entity successfully undertook a capital raising of $11.0 million, providing funds to support working capital and provide flexibility for further acquisitions;
- Other current liabilities of $4.1 million relate to contingent consideration for business acquisitions (earn-outs), which will only be achieved if cash flow generation remains as forecast for the relevant businesses; and
- Employee benefit obligations of $10.8 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).

Subsequent to the reporting date, the Consolidated Entity increased its total finance facility from $100.00 million to $120.00 million with its financiers, namely ANZ, NAB and BOQ. As at the date of reporting and taking into consideration the upsized facility limit of $120.0 million, the Consolidated Entity has undrawn facilities of approximately $39.1 million available with a tenure (remaining maturity) of 2.83 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 revised finance facility agreement are as follows:

- Leverage Ratio: (Net Debt: Adjusted EBITDA) must remain below or equal to 3.00 times until 30 September 2023, and 2.75 times thereafter;
- Fixed Charge Cover Ratio: (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%.

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

9. 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 economic consequences of the COVID-19 pandemic could become more severe and may impact revenue and operations resulting from increased patient appointment cancellations and staff absenteeism. Further, some of the Consolidated Entity’s assets and liabilities comprise financial instruments that are carried at fair value, with changes in fair value recognised in the Consolidated Entity’s income statement. Market declines or weakened trading conditions could negatively impact the value of such financial instruments (including the impairment of goodwill).	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-19; and The scale and geographic diversification of operations provides a level of risk mitigation with respect to localised outbreaks and/or restrictions.
ACQUISITION RISK	The Consolidated Entity may be unable to identify and/or execute suitable acquisition opportunities and a failure to do so could have an adverse impact on the Consolidated Entity. Further, new businesses may not perform in line with expectations and could be impacted if sufficient due diligence is not performed and/or if the acquired businesses are not integrated effectively.	Extensive internal processes and procedures to ensure sufficient due diligence is undertaken prior to completion; and Comprehensive integration plans are put in place for all acquisitions and are managed by an experienced internal integrations team. The Consolidated Entity will continue to be disciplined in executing its growth strategy taking into consideration current trading conditions.
STAFF RETENTION	The Consolidated Entity relies on clinicians to provide allied health services to patients and a high turnover or the inability to retain experienced staff, specifically clinicians, could impact the quality and/or availability of clinical services.	The Consolidated Entity has developed a 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; and The yearly graduate clinician intake is expected to cover any outstanding vacancies.
FUNDING RISK	The availability of debt funding or an inability to secure funding or refinance current debt facilities may adversely impact the financial position of the Consolidated Entity. In addition, failure to meet financial covenants under the Consolidated Entity’s finance	The Consolidated Entity actively manages its leverage position and maintains a close and transparent relationship with its financiers to ensure ongoing support.

	facilities, and the occurrence of other specified events (including goodwill being impaired by 5% or more or certain changes in key personnel occurring) may lead to an event of default or review event under the finance facility. From time to time the Consolidated Entity seeks waivers of various aspects of its facility agreements including financial covenants. There is no guarantee that waivers sought will be granted by the banking syndicate in which case there is a risk that the Consolidated Entity will breach its finance facilities. If an event of default or a review event applicable to any given facility occurs, there may be a requirement to make repayments in advance of the relevant maturity dates and/or termination of the facility which may impact on the financial performance and position of the Consolidated Entity and its ability to operate in the ordinary course of business.	
INTEREST RATE RISK	Changes in interest rates will impact the costs of the Consolidated Entity's debt funding with a majority of its bank borrowings at variable interest rates.	The Consolidated entity may look to enter into interest rate swap contracts to hedge against potential exposure to fluctuations in interest rates.
DATA SECURITY	Risk of the Consolidated Entity's IT systems being accessed which could result in a failure of or interruption to IT systems and the business or a breach of patient privacy. Any such failures or breaches could cause reputational damage, regulatory impositions and financial loss.	The Consolidated Entity has comprehensive policies and procedures in place regarding the use and storage of confidential information as well as controls in place to minimise technology related business interruption; and Cyber security insurance is also in place to mitigate potential financial losses.

10. Outlook

The Consolidated Entity reconfirms its expectation to deliver Underlying EBITDA (removing impact of AASB16) in FY23 of greater than $40.0 million. Trading is supported by the Consolidated Entity's “4-3-4” strategy, being:

- 4x key strategies (1. Extensive Coverage, 2. Growth, 3. Innovation and 4. Quality);
- 3x unique selling propositions that support these strategies (1. Clinician Led, 2. Technology Enabled and 3. Professional Development and Education); and
- 4x ambitious but measurable outcomes from the strategies (1. More than 20 hours of professional development per employee per annum, 2. 100% of clinics operating from the one technology platform, 3. Culture score of 65%+ and 4. Customer net promoter score of 80+).

In particular, the Consolidated Entity's 4-3-4 strategic focus for the remainder of FY23 is on the following:

(1) Continued organic growth;
(2) Execution of the technology roadmap; and
(3) Acquisitive growth.

(1) Organic Growth

Several organic growth strategies will drive growth and remain the focus for the remainder of FY23. These include, but are not limited to, the following:

- Continued training and induction of the 120 (H122: 154) new graduates who started their training with the Consolidated entity on 3 February 2023;
- Identify and execute on the co-location of complementary allied health services inside of existing clinic and store footprints;
- Identify and introduce new services into existing clinics (example introducing laser therapy or shockwave therapy) where patient demand exists;
- Continued upskilling of existing workforce through professional development and education activities;
- Driving strong cultural engagement with the measurement of success via the external survey from Best Practice Australia which is to be conducted in June 2023;
- Overlaying buying power including utilising our vertically integrated businesses to drive margin improvement;
- Continued restructure of the centralised support function of the Consolidated Entity to ensure it is effective, cost efficient and driving margin improvement; and
- Continue to develop marketing activities which provide a competitive advantage within industries the Consolidated Entity operates in.

The Consolidated Entity delivered organic revenue growth of 5.4%[1] for the period, within the targeted organic growth range of 3%-6% per annum.

(2) Technology Roadmap

The Consolidated Entity has developed the "Healthia Technology Roadmap" which aims to:

- Enable team members to provide products and services to patients and customers in an efficient, timely and cost-effective way;
- Link patients to a wide range of allied health products and services offered across the 3 divisions of the Consolidated Entity; and
- Provide the Consolidated Entity with a competitive advantage.

The Healthia Technology Roadmap is scoped to ensure better utilisation of the large database of patients and customers across the 3 divisions of the Consolidated Entity. This includes having better understanding of the patients and customers but also designed to "cross promote" the various allied health products and services offered across the 3 divisions.

The Consolidated Entity will continue to develop the Healthia Technology Roadmap with the key milestones for the remainder of FY23 being the finalisation of the data warehouse which will enable "cross promotion" across the various allied health products and services offered by the Consolidated Entity. Testing of marketing initiatives focused on the cross promotion of products and services to existing patients and customers is expected to occur during the fourth quarter of FY23.

(3) Acquisitive Growth

As at the reporting date, the Consolidated Entity had deployed $8.5 million towards acquisitions to 31 December 2022 and announced a further $14.0 million to be deployed on acquisitions before 30 April 2023. This totals $22.5 million of capital deployed, or to be deployed, during FY23 and exceeds the Consolidated Entity's target of $20.0 million of capital per annum.

With less than 3.0% market share of the addressable industry revenue, and with 100+ allied health businesses being reviewed as part of an active acquisition pipeline, the Consolidated Entity will continue to deploy capital on accretive acquisitions.

Future acquisitions are expected to be funded from cash and the undrawn limits available under the revised banking facilities.

Significant changes in the state of affairs

Acquisition of Corio Bay Health Group (Bodies and Minds Division)

On 1 December 2022, the Consolidated Entity acquired the Corio Bay Health Group comprising 9 allied health businesses located in Victoria. Initial consideration paid for the acquisition was $5.4 million including $4.3 million in cash consideration and $1.1 million in Clinic Class Share consideration, as well as contingent consideration which may become payable subject to the achievement of pre-defined conditions.

For the 6 months ended 31 December 2022, the Corio Bay Health Group contributed revenue of $0.4 million and EBITDA of $0.1 million (pre-AASB 16) to the Consolidated Entity. If this acquisition had been held for the full 6 month period (by extrapolating the actual performance) the acquired businesses would have contributed revenue of $2.4 million and EBITDA of $0.8 million (pre-AASB 16) to the Consolidated Entity.

Acquisition of other Bodies and Minds clinics
The Consolidated Entity acquired an additional 2 hand therapy clinics and 1 physiotherapy clinic during the current period. Initial consideration paid for these acquisitions was $2.7 million including $2.2 million in cash consideration and $0.5 million in Clinic Class Share consideration, as well as contingent consideration which may become payable subject to the achievement of pre-defined conditions.

For the 6 months ended 31 December 2022, the acquired businesses contributed revenue of $0.7 million and EBITDA of $0.2 million (pre-AASB 16) to the Consolidated Entity. If these acquisitions had been held for the full 6 month period (by extrapolating the actual performance) the acquired businesses would have contributed revenue of $1.1 million and EBITDA of $0.3 million (pre-AASB 16) to the Consolidated Entity.

Performance rights
On 29 November 2022, the Consolidated Entity's shareholders approved the grant of 1,114,594 unlisted performance rights to Executive Directors with a nil grant and exercise price. The performance rights will vest on 30 June 2025 (subject to satisfaction of the relevant vesting conditions) and expire on 31 October 2025. The vesting conditions include a number of performance and service conditions. The performance rights are expected to be issued by 31 March 2023.

Retention performance rights
On 29 November 2022, the Consolidated Entity's shareholders approved the grant of 432,996 unlisted retention performance rights to Executive Directors with a nil grant and exercise price. The retention performance rights will vest on 30 June 2023 (subject to satisfaction of the relevant vesting conditions) and expire on 31 October 2023. The vesting conditions include a number of performance and service conditions. The performance rights are expected to be issued on by 31 March 2023.

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 (H122: 2.0 cents per share) to the ordinary shareholders of Healthia Limited.

A Dividend Reinvestment Plan will operate for the 2023 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. Any shortfall from the Dividend Reinvestment Plan will be fully underwritten.

Other than the matters outlined elsewhere in this report, 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

New Acquisitions
The Consolidated Entity refers to its ASX Announcement dated 16 February 2023, whereby it was announced that, during the period from 31 December 2022 to the date of signing the financial report, binding sale agreements were executed to acquire the following businesses:

- Melbourne Hand Rehab (8 hand therapy clinics located in Victoria);
- Kosmac & Clemens Optometrists (6 optometry stores located in Victoria); and
- Vision Eye Health (2 optometry stores located in Queensland).

Total upfront consideration of $14.0 million for the acquisitions (plus stock, less employee entitlements) is as follows:

- Upfront cash consideration: $11.0 million;
- Deferred consideration: $1.9 million; and
- Issue of Clinic Class Shares: $1.1 million.

In addition to the upfront consideration, contingent consideration of up to $0.49 million may 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:

- Underlying revenue: $10.5 million; and
- Underlying EBITDA (pre-AASB16): $2.9 million.

Finance Facility
On 22 February 2023, the Consolidated Entity signed a variation to its current finance facility agreement with its financiers, namely ANZ, NAB and BOQ. The change increased its total finance facility from $100.00 million to $120.00 million, with a term (remaining maturity) of 2.83 years. The increased facility size and term provides further capacity to continue the stated strategy of pursuing value accretive acquisition opportunities.

The key financial covenants of the revised finance facility agreement are as follows:
- Leverage Ratio: (Net Debt: Adjusted EBITDA) must remain below or equal to 3.00 times until 30 September 2023, and 2.75 times thereafter;
- Fixed Charge Cover Ratio: (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%.

Resignation and Appointment of Chief Financial Officer
The Group Chief Financial Officer and Joint Company Secretary, Chris Banks, gave notice of this resignation from his position with the Consolidated Entity effective from 7 February 2023.

Julia Murfitt, Inhouse Legal Counsel and Joint Company Secretary, takes up the duties of Company Secretary of the Consolidated Entity effective from 7 February 2023.

The Consolidated Entity announced the appointment of Damien Peters as the Group Chief Financial Officer on 16 February 2023. Damien is expected to commence with the Consolidated Entity in late March/early April 2023.

Other than the matters outlined elsewhere in this report, no matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

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

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

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

On behalf of the directors

Dr Glen Frank Richards
Director

28 February 2023

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DECLARATION OF INDEPENDENCE BY MICHAEL CUTRI TO THE DIRECTORS OF HEALTHIA LIMITED

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

M Cutri

Director

BDO Audit Pty Ltd

Brisbane, 28 February 2023

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 28 February 2023.

Healthia Limited and its Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	Consolidated 31 Dec 2022 $'000	31 Dec 2021 $'000
Revenue from contracts with customers	3	123,647	91,677
Other income	4	1,356	1,343
Fair value movement of contingent consideration	15	1,243	1,550
Expenses			
Changes in inventories		1,998	1,343
Raw materials and consumables used		(12,234)	(10,234)
Employee benefits expense		(75,879)	(55,957)
Occupancy costs		(3,978)	(2,206)
Marketing costs		(1,670)	(1,655)
Other expenses		(6,778)	(4,761)
Impairment of receivables		(52)	(141)
Acquisition and integration costs		(2,925)	(4,700)
Share-based payments expense		(209)	(772)
Depreciation expense		(10,728)	(8,586)
Amortisation expense		(957)	(776)
Finance costs		(3,854)	(2,572)
Profit before income tax expense		8,980	3,553
Income tax expense		(2,581)	(1,698)
Profit after income tax expense for the half-year		6,399	1,855
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		6,399	1,855
Profit for the half-year is attributable to:			
Non-controlling interest		2,375	1,941
Owners of Healthia Limited		4,024	(86)
		6,399	1,855
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		2,375	1,941
Owners of Healthia Limited		4,024	(86)
		6,399	1,855
		Cents	Cents
Basic earnings per share	19	3.02	(0.08)
Diluted earnings per share	19	2.94	(0.08)

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 2022

	Note	Consolidated 31 Dec 2022 $'000	30 Jun 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		4,699	5,666
Trade and other receivables		9,295	8,204
Inventories		12,530	10,532
Income tax refund due		2,655	97
Other assets		3,298	3,199
Total current assets		32,477	27,698
Non-current assets			
Investments accounted for using the equity method		19	19
Property, plant and equipment	6	19,545	17,075
Right-of-use assets	7	57,006	59,073
Intangibles	8	253,997	246,326
Deferred tax		7,008	7,845
Total non-current assets		337,575	330,338
Total assets		370,052	358,036
Liabilities			
Current liabilities			
Trade and other payables		17,018	19,089
Borrowings	9	141	1,954
Lease liabilities		17,783	17,116
Employee benefit obligations		10,793	11,318
Provisions		1,087	357
Other liabilities	10	4,148	2,914
Total current liabilities		50,970	52,748
Non-current liabilities			
Borrowings	9	80,871	77,117
Lease liabilities		45,116	46,853
Derivative financial instruments		-	14
Employee benefit obligations		871	904
Provisions		2,537	2,975
Other liabilities	10	989	4,961
Total non-current liabilities		130,384	132,824
Total liabilities		181,354	185,572
Net assets		188,698	172,464
Equity			
Issued capital	11	156,640	146,213
Reserves	12	(1,920)	(2,124)
Accumulated losses		(3,777)	(7,801)
Equity attributable to the owners of Healthia Limited		150,943	136,288
Non-controlling interest	13	37,755	36,176
Total equity		188,698	172,464

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 2022

Consolidated	Issued capital $'000	Reserves $'000	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	58,229	-	-	-	58,229
Issue of ordinary shares as consideration for business combination	5,771	-	-	-	5,771
Issued as part of Dividend Reinvestment plan	199	-	-	-	199
Share-based payments	-	772	-	-	772
Contributions of clinic class shares	-	-	-	81	81
Issue of clinic class shares as consideration for business combinations	-	-	-	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	-	-	(2,255)	-	(2,255)
Balance at 31 December 2021	143,777	(2,747)	(1,978)	34,912	173,964

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2022	146,213	(2,124)	(7,801)	36,176	172,464
Profit after income tax expense for the half-year	-	-	4,024	2,375	6,399
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	4,024	2,375	6,399
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	10,427	-	-	-	10,427
Share-based payments	-	204	-	-	204
Contributions of clinic class shares	-	-	-	1,057	1,057
Issue of clinic class shares as consideration for business combinations (note 18)	-	-	-	1,671	1,671
Buy-back of clinic class shares	-	-	-	(1,433)	(1,433)
Distributions paid to non-controlling interest	-	-	-	(2,091)	(2,091)
Balance at 31 December 2022	156,640	(1,920)	(3,777)	37,755	188,698

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 2022

	Note	Consolidated 31 Dec 2022 $'000	31 Dec 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		125,647	90,754
Payments to suppliers and employees (inclusive of GST)		(108,590)	(75,324)
		17,057	15,430
Interest received		34	1
Government grants (COVID-19)		-	622
Interest and other finance costs paid		(3,854)	(2,572)
Income taxes paid		(4,187)	(5,187)
Net cash from operating activities		9,050	8,294
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	18	(6,437)	(71,346)
Payments of contingent business purchases consideration	15	(154)	(276)
Payments of deferred business purchases consideration		(1,700)	(1,065)
Payments for property, plant and equipment	6	(3,618)	(1,471)
Payments for intangibles	8	(69)	(3)
Net cash used in investing activities		(11,978)	(74,161)
Cash flows from financing activities			
Proceeds from issue of shares	11	10,982	60,032
Share issue transaction costs	11	(555)	(2,576)
Proceeds from issue of clinic class shares		1,057	81
Buy-back of clinic class shares		(1,433)	(220)
Proceeds from borrowings		3,754	20,876
Dividends received		-	43
Dividends paid	14	-	(2,255)
Repayment of lease liabilities		(7,940)	(6,385)
Distributions paid non-controlling interest		(2,091)	(1,424)
Net cash from financing activities		3,774	68,172
Net increase in cash and cash equivalents		846	2,305
Cash and cash equivalents at the beginning of the financial half-year		3,712	4,142
Cash and cash equivalents at the end of the financial half-year (net of overdraft)	5	4,558	6,447

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 2022 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 2022 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 2022, whilst the Consolidated Entity has a working capital deficiency of $18.5 million (FY22: $25.1 million), $17.8 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 319 business sites/clinics and a portion of these cash flows will be used to pay the respective lease liability repayments (property rents) when they fall due for payment.

With regards to the working capital deficiency, the Directors note:

- An internal cashflow forecast is prepared and regularly monitored, which shows adequate cash generation to cover current liabilities;
- During the period the Consolidated Entity successfully undertook a capital raising of $11.0 million, providing funds to support working capital and provide flexibility for further acquisitions.
- Other current liabilities of $4.1 million relate to contingent consideration for business acquisitions (earn-outs), which will only be achieved if cash flow generation remains as forecast; and
- Employee benefit obligations of $10.8 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).

The directors also believe that the preparation of the financial statements using the going concern basis of accounting is appropriate based on cash flow forecasts prepared, which show the Consolidated Entity is expected to be able to pay its debts as and when they fall due for the next 12 months and to realise the value of its assets and discharge its liabilities in the ordinary course of business.

Key to the cash flow forecasts are relevant assumptions regarding the business, and about financing and shareholder support; in particular:

- Revenue and cash flow targets – the Consolidated Entity has prepared a cash flow forecast based on reasonable assumptions that the directors believe are achievable;
- Future business combinations – the base case cash flow forecasts do not incorporate future business combinations, which remain uncertain. Any future acquisitions will either be funded through debt, ordinary equity, clinic class shares or available cash reserves at the time of settlement;
- COVID-19 impacts – the cash flow forecasts do not incorporate any possible ongoing COVID-19 related impacts; and
- The increase in its total finance facility from $100.00 million to $120.00 million with its financiers, namely ANZ, NAB and BOQ.

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 restructuring 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.

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, occupational therapy, hand therapy, exercise physiology and speech pathology 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 2022 exclude the impact of non-recurring income and expenses such as acquisition, restructuring and integration costs. Underlying EBITDA is reported on a pre-AASB16 basis, with property lease costs recognised as standard occupancy costs.

Operating segment information

Consolidated - 31 Dec 2022	Feet & Ankles $'000	Bodies & Minds $'000	Eyes & Ears $'000	Other* $'000	Total $'000
Revenue					
Sales to external customers	30,756	71,143	21,748	-	123,647
Total revenue	30,756	71,143	21,748	-	123,647
EBITDA - underlying	7,138	12,339	4,950	(6,343)	18,084
Addback property lease costs (**)	2,623	4,840	2,190	-	9,653
Depreciation and amortisation	(3,044)	(5,864)	(2,642)	(135)	(11,685)
Share-based payments expense	-	-	-	(209)	(209)
Finance costs (net)	-	-	-	(3,820)	(3,820)
Acquisition, integration and restructure costs	-	-	-	(3,835)	(3,835)
COVID-19 costs	-	-	-	(451)	(451)
Fair value movement of contingent consideration	-	-	-	1,243	1,243
Profit/(loss) before income tax expense	6,717	11,315	4,498	(13,550)	8,980
Income tax expense					(2,581)
Profit after income tax expense					6,399
Other profit or loss disclosure:					
Employee benefits expense	(13,522)	(47,500)	(8,999)	(5,858)	(75,879)

Note 2. Operating segments (continued)

* 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).

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 3. Revenue from contracts with customers

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Rendering of services	96,101	69,535
Sale of goods	27,546	22,142
Revenue from contracts with customers	123,647	91,677

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 2022 $'000	31 Dec 2021 $'000
Major segment lines		
Feet & Ankles	30,756	27,594
Bodies & Minds	71,143	45,875
Eyes & Ears	21,748	18,208
	123,647	91,677
Geographical regions		
Australia	121,071	90,878
United States	888	567
New Zealand	1,688	232
	123,647	91,677
Timing of revenue recognition		
Goods and services transferred at a point in time	123,647	91,677

Note 4. Other income

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Government grants (COVID-19)	-	622
Interest	34	1
Sub-tenant rent	809	583
Other income	513	137
Other income	1,356	1,343

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

	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Cash at bank and on hand	4,699	7,222
Bank overdraft (note 9)	(141)	(775)
Balance per consolidated statement of cash flow	4,558	6,447

Note 6. Property, plant and equipment

	Consolidated 31 Dec 2022 $'000	Consolidated 30 Jun 2022 $'000
Non-current assets		
Leasehold improvements - at cost	11,507	10,368
Less: Accumulated depreciation	(5,082)	(5,032)
	6,425	5,336
Plant and equipment - at cost	29,336	26,266
Less: Accumulated depreciation	(16,216)	(14,527)
	13,120	11,739
	19,545	17,075

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 2022	5,336	11,739	17,075
Additions	1,127	2,491	3,618
Additions through business combinations (note 18)	13	369	382
Disposals	-	(3)	(3)
Depreciation expense	(51)	(1,476)	(1,527)
Balance at 31 December 2022	6,425	13,120	19,545

Note 7. Right-of-use assets

	Consolidated 31 Dec 2022 $'000	Consolidated 30 Jun 2022 $'000
Non-current assets		
Land and buildings - right-of-use	98,802	91,668
Less: Accumulated depreciation	(41,796)	(32,595)
	57,006	59,073
Plant and equipment - right-of-use	622	622
Less: Accumulated depreciation	(622)	(622)
	-	-
	57,006	59,073

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 2022	59,073	-	59,073
Additions	4,324	-	4,324
Additions through business combinations (note 18)	2,810	-	2,810
Depreciation expense	(9,201)	-	(9,201)
Balance at 31 December 2022	57,006	-	57,006

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 2022 $'000	30 Jun 2022 $'000
Non-current assets		
Goodwill - at cost	243,515	235,242
Trademarks	4,855	4,855
Customer lists	9,931	9,646
Less: Accumulated amortisation	(4,627)	(3,711)
	5,304	5,935
Software - at cost	768	699
Less: Accumulated amortisation	(445)	(405)
	323	294
	253,997	246,326

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 2022	235,242	4,855	5,935	294	246,326
Additions through business combinations (note 18)	8,273	-	284	-	8,557
Additions	-	-	-	69	69
Amortisation expense	-	-	(915)	(40)	(955)
Balance at 31 December 2022	243,515	4,855	5,304	323	253,997

Note 9. Borrowings

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Current liabilities		
Bank overdraft	141	1,954
Non-current liabilities		
Bank loans	80,871	77,117
	81,012	79,071

Note 10. Other liabilities

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Current liabilities		
Contingent consideration	4,148	1,214
Deferred consideration	-	1,700
	4,148	2,914
Non-current liabilities		
Contingent consideration	989	4,961
	5,137	7,875

Refer note 15 for details on fair value measurement.

Note 11. Issued capital

	Consolidated			
	31 Dec 2022 Shares '000	30 Jun 2022 Shares '000	31 Dec 2022 $'000	30 Jun 2022 $'000
Ordinary shares - fully paid	137,978	128,316	156,640	146,213

Movements in ordinary share capital

Details	Date	Shares '000	Issue price	$'000
Balance	1 July 2022	128,316		146,213
Issue of ordinary shares - Retail Entitlement Offer	12 September 2022	6,719	$1.47	9,877
Issue of ordinary shares - Retail Entitlement Offer	5 October 2022	752	$1.47	1,105
Issue of ordinary shares - Exercise of Performance Rights	27 October 2022	2,191	$0.00	-
Share issue transaction costs (net of tax)				(555)
Balance	31 December 2022	137,978		156,640

Note 12. Reserves

	Consolidated 31 Dec 2022 $'000	Consolidated 30 Jun 2022 $'000
Share-based payments reserve	3,434	3,230
Transactions with non-controlling interest reserve	(2,860)	(2,860)
Pre-IPO distributions reserve	(2,494)	(2,494)
	(1,920)	(2,124)

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 2022	3,230	(2,860)	(2,494)	(2,124)
Share-based payments	204	-	-	204
Balance at 31 December 2022	3,434	(2,860)	(2,494)	(1,920)

Note 13. Non-controlling interest

	Consolidated 31 Dec 2022 $'000	Consolidated 30 Jun 2022 $'000
Issued equity - Clinic Class shares and minority interests	36,375	35,079
Retained profits	1,380	1,097
	37,755	36,176

Note 14. Dividends

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

	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Dividends paid	-	2,255

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 2021: 2.0 cents per share) to the ordinary shareholders of Healthia Limited and has determined that Healthia's Dividend Reinvestment Plan (DRP) will operate for the interim dividend. Any shortfall from the DRP will be fully underwritten.

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 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	5,137	5,137
Total liabilities	-	-	5,137	5,137

Consolidated - 30 Jun 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swap	-	14	-	14
Contingent consideration	-	-	6,175	6,175
Total liabilities	-	14	6,175	6,189

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 2022	6,175
Additions - new business combinations (note 18)	359
Settlement of contingent consideration	(154)
Fair value movements - through profit or loss	(1,243)
Balance at 31 December 2022	5,137

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	$34,756 - $793,198	If expected EBITDA were 10% higher, there would be an increase in fair value of $1,765,308. If expected EBITDA was 10% lower, there would be a decrease in fair value of $1,270,985.

Note 16. Commitments

On 16 February 2023, the Consolidated Entity announced (via the Australian Stock Exchange platform) that it had entered into binding agreements to acquire to acquire the following businesses:
- Melbourne Hand Rehab (8 hand therapy clinics located in Victoria);
- Kosmac & Clemens Optometrists (6 optometry stores located in Victoria); and
- Vision Eye Health (2 optometry stores located in Queensland).

Total upfront consideration of $14.0 million for the acquisitions (plus stock, less employee entitlements) is as follows:
- Upfront cash consideration: $11.0 million;
- Deferred consideration: $1.9 million; and
- Clinic class share consideration $1.1 million.

In addition to the upfront consideration, contingent consideration of up to $0.49 million will become payable as cash consideration, subject to the achievement of pre-defined earnings targets.

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

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

	Consolidated	
	31 Dec 2022 $	31 Dec 2021 $
Other transactions:		
Rent and outgoings paid to entities controlled by director Darren Stewart	142,351	156,080
Rent and outgoings paid to entities controlled by director Lisa Roach	110,309	125,598
Rent and outgoings paid to entities controlled by key management personnel Dean Hartley	94,538	93,738
Rent and outgoings paid to entities controlled by director Anthony Ganter	159,350	144,597
Payment for bookkeeping services to an entity associated with Wesley Coote	264,920	179,288
Payment for recruitment services to PeopleIN an entity associated with Glen Richards	142,450	-

Receivable from and payable to related parties
There was $45,210 (H122: Nil) payable for recruitment services to PeopleIN, an entity associated with Glen Richards, at the reporting date.

There were no other 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 Corio Bay (Bodies & Minds Division)
On 1 December 2022, the Consolidated Entity acquired the businesses trading under the name Corio Bay Health Group being a group of nine physiotherapy businesses located in Victoria. Initial consideration paid for the acquisition was $5.4 million including $4.3 million in cash consideration and $1.1 million in Clinic Class Shares consideration, with up to an additional $3.7 million in contingent consideration.

For the 6 months ended 31 December 2022, Corio Bay Health Group contributed revenue of $0.4 million and EBITDA of $0.1 million (pre-AASB 16) to the Consolidated Entity. If these acquisitions had been held for the full 6 month period (by extrapolating the actual performance) the acquired businesses would have contributed revenue of $2.4 million and EBITDA of $0.8 million (pre-AASB 16) to the Consolidated Entity.

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 2022:
- The fair value of Corio Bay'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
- The contingent considerations of $0.4 million have been measured provisionally and may be adjusted upon completion of the independent valuation analysis.

Acquisition of Other Bodies and Minds Clinics
The Consolidated Entity acquired an additional 3 physiotherapy clinics during the current period. Initial consideration paid for the acquisition was $2.7 million including $2.2 million in cash consideration and $0.5 million in Clinic Class Share consideration.

For the 6 months ended 31 December 2022, the acquired businesses contributed revenue of $0.7 million and EBITDA of $0.2 million (pre-AASB 16) to the Consolidated Entity. If these acquisitions had been held for the full 6 month period (by extrapolating the actual performance) the acquired businesses would have contributed revenue of $1.1 million and EBITDA of $0.3 million (pre-AASB 16) 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:

	Bodies and Minds division Corio Bay	Others	
	Provisional fair value $'000	Provisional fair value $'000	Total $'000
Inventories	-	56	56
Plant and equipment	241	141	382
Right-of-use assets	2,524	286	2,810
Customer lists	226	58	284
Deferred tax asset	923	126	1,049
Other assets	29	5	34
Deferred tax liability	(825)	(109)	(934)
Employee benefits	(394)	(73)	(467)
Lease liability	(2,523)	(286)	(2,809)
Other liabilities	(160)	(51)	(211)
Net assets acquired	41	153	194
Goodwill	5,683	2,590	8,273
Acquisition-date fair value of the total consideration transferred	5,724	2,743	8,467
Representing:			
Cash paid or payable to vendor	4,265	2,172	6,437
Clinic Class Shares issued to vendor	1,100	571	1,671
Contingent consideration	359	-	359
	5,724	2,743	8,467

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.

Acquisition and integration related costs of $2.9 million are included in the consolidated statement of profit or loss and other comprehensive income.

Note 19. Earnings per share

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Profit after income tax	6,399	1,855
Non-controlling interest	(2,375)	(1,941)
Profit/(loss) after income tax attributable to the owners of Healthia Limited	4,024	(86)

Note 19. Earnings per share (continued)

	Number '000	Number '000
Weighted average number of ordinary shares used in calculating basic earnings per share	133,462	108,282
Adjustments for calculation of diluted earnings per share:		
Performance rights	3,509	3,481
Weighted average number of ordinary shares used in calculating diluted earnings per share	136,971	111,763

	Cents	Cents
Basic earnings per share	3.02	(0.08)
Diluted earnings per share	2.94	(0.08)

Note 20. Events after the reporting period

New Acquisitions
The Consolidated Entity refers to its ASX Announcement dated 16 February 2023, whereby it was announced that, during the period from 31 December 2022 to the date of signing the financial report, binding sale agreements were executed to acquire the following businesses:

- Melbourne Hand Rehab (8 hand therapy clinics located in Victoria);
- Kosmac & Clemens Optometrists (6 optometry stores located in Victoria); and
- Vision Eye Health (2 optometry stores located in Queensland).

Total upfront consideration of $14.0 million for the acquisitions (plus stock, less employee entitlements) is as follows:

- Upfront cash consideration: $11.0 million;
- Deferred consideration: $1.9 million; and
- Issue of Clinic Class Shares: $1.1 million.

In addition to the upfront consideration, contingent consideration of up to $0.49 million may 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:

- Underlying revenue: $10.5 million; and
- Underlying EBITDA (pre-AASB16): $2.9 million.

Finance Facility
On 22 February 2023, the Consolidated Entity signed a variation to its current finance facility agreement with its financiers, namely ANZ, NAB and BOQ. The change increased its total finance facility from $100.00 million to $120.00 million, with a term (remaining maturity) of 2.83 years. The increased facility size and term provides further capacity to continue the stated strategy of pursuing value accretive acquisition opportunities.

The key financial covenants of the revised finance facility agreement are as follows:

- Leverage Ratio: (Net Debt: Adjusted EBITDA) must remain below or equal to 3.00 times until 30 September 2023, and 2.75 times thereafter;
- Fixed Charge Cover Ratio: (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 20. Events after the reporting period (continued)

Resignation and Appointment of Chief Financial Officer
The Group Chief Financial Officer and Joint Company Secretary, Chris Banks, gave notice of this resignation from his position with the Consolidated Entity effective from 7 February 2023.

Julia Murfitt, Inhouse Legal Counsel and Joint Company Secretary, takes up the duties of Company Secretary of the Consolidated Entity effective from 7 February 2023.

The Consolidated Entity announced the appointment of Damien Peters as the Group Chief Financial Officer on 16 February 2023. Damien is expected to commence with the Consolidated Entity in late March/early April 2023.

Other than the matters outlined elsewhere in this report, no matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Healthia Limited and its Controlled Entities
Directors' declaration
31 December 2022

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 2022 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 2023

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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 2022, 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 2022 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 2022 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

M Cutri
Director

Brisbane, 28 February 2023