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

1. Company details

Name of entity:	Healthia Limited
ACN:	626 087 223
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

				Unaudited $'000
Revenues from ordinary activities	up	26.1%	to	252,556
Profit from ordinary activities after tax attributable to the owners of Healthia Limited	up	290.9%	to	6,264
Profit for the year attributable to the owners of Healthia Limited	up	290.9%	to	6,264
Underlying NPATA[1]	up	105.4%	to	18,880

	Unaudited 2023 Cents	2022 Cents
Basic earnings per share	4.60	(2.82)
Diluted earnings per share	4.50	(2.82)

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

Comments
The profit for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $6.3 million (30 June 2022: loss of $3.3 million).

The statutory financial performance of the Consolidated Entity was impacted by staff absenteeism, patient / customer cancellations (due to spikes in COVID and other illness) and, more recently, uncertain economic conditions, and one-off non-recurring costs relating to acquisitions, integrations and restructuring. The Consolidated Entity's Underlying Net Profit After Tax and Amortisation (NPATA)[1] amounted to $18.9 million (30 June 2022: profit of $9.2 million), or an increase of 105.4%.

An overview of the statutory and underlying performance is contained in the attached Preliminary Financial Report of Healthia Limited.

[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.*

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(57.78)	(63.68)

Calculated as follows:

	Consolidated Unaudited 2023 $'000	2022 $'000
Net assets	193,128	172,464
Less: Intangibles	(267,476)	(246,326)
Less: Deferred tax asset	(6,656)	(7,845)
Net tangible assets	(81,004)	(81,707)
Total shares issued	140,191,977	128,316,533

4. Control gained over entities

Refer to note 6 for details of business combinations in the year.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

The Directors of Healthia Limited have not yet determined whether to declare a final dividend for FY23 given the terms of the proposed acquisition of Healthia by way of a scheme of arrangement (refer to note 9 for further information).

The Consolidated Entity has a stated dividend policy, of distributing between 40% to 60% of underlying NPATA[1], during a financial year.

An interim dividend of 2.00 cents per share was paid for the period ended 31 December 2022.

Previous period

An interim dividend of 2.00 cents per share was paid for the period ended 31 December 2021.

[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.*

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

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 Fracture Holdco Pty Ltd)	25.00%	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):

These financial statements are preliminary and are in the process of being audited.

10. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Healthia Limited for the year ended 30 June 2023 is attached.

11. Signed

Signed

Date: 31 August 2023

Dr Glen Frank Richards
Director

Healthia Limited and its Controlled Entities

ACN 626 087 223

Preliminary Financial Report - 30 June 2023

Healthia Limited and its Controlled Entities
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Commentary

The statutory financial performance of the Consolidated Entity was impacted by staff absenteeism, patient / customer cancellations (due to spikes in COVID and other illness) and, more recently, uncertain economic conditions, and one-off non-recurring costs relating to acquisitions and restructuring. The Consolidated Entity's Underlying Net Profit After Tax and Amortisation (NPATA)[2] amounted to $18.9 million (30 June 2022: profit of $9.2 million), or an increase of 105.4%.

A reconciliation between statutory and underlying financial performance is provided below at Table 4.

1. Significant changes in the state of affairs

Significant changes in the state of affairs of the Consolidated Entity during the financial year include:

i. Acquisitions

The Consolidated Entity deployed $23.4 million (FY22: $111.3 million) of capital on 27 new allied health clinics and stores during the Financial Year as set out in Note 6: Business Combinations included in this Preliminary Financial Report.

ii. Capital Raising

During the first half of FY23, the Consolidated Entity successfully undertook a capital raising of $11.0 million, providing funds to support working capital and provide flexibility for further acquisitions.

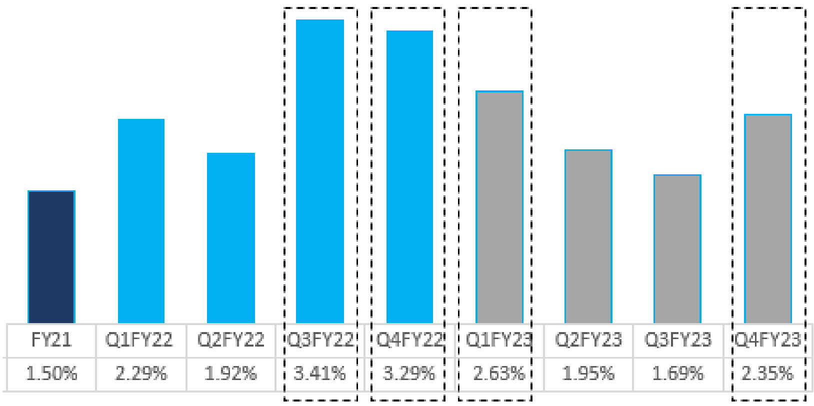
iii. Performance Rights & Retention Performance Rights

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 were issued on 27 March 2023.

iv. Impacts from Absenteeism

During FY23, Healthia experienced high levels of team member absenteeism in Financial Quarter 1 of FY23 due to illness and isolations resulting from COVID. Furthermore, in Q4FY23, Healthia again experienced higher than expected team member absenteeism due to spikes in COVID and other illness. This saw impacts on trading as team members were unable to present to work to service the Company's patients. *Chart 1 Sick Leave as % of Wages by financial quarter* depicts these periods of abnormal staff absenteeism:

Chart 1: Sick Leave as a % of Wages by Financial Quarter



[2] *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.*

v. Queens Memorial Day

Healthia's trading performance was further impacted (by c.$1.0 million) during FY23 by the unanticipated special public holiday (National Day of Mourning for the Queen).

vi. Organic Revenue Growth

While trading performance was impacted by a number of factors including those detailed above, Healthia achieved strong organic like for like revenue growth during the year, when compared to FY22 which was also impacted by the effects of staff absenteeism and patient cancellations due to COVID. *Table 1 Quarterly Organic Revenue Growth FY23* shows organic like for like revenue growth percentage per quarter for FY23. While organic revenue growth was strong in H2FY23, it was impacted in Q4FY23 from the higher levels of staff absenteeism as highlighted in *Chart 1.*

Table 1: Quarterly Organic Revenue Growth FY23

Unaudited	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Organic Revenue Growth %	8.8%	0.4%	12.6%	6.8%

2. Financial Overview - Statutory Performance

The Consolidated Entity's unaudited statutory performance is provided in Table 2 below.

Table 2: Statutory Financial Performance

	Unaudited FY23 $m	FY22 $m	Change $m	Change %
Revenue	252.6	200.3	52.3	26.1%
Other Income	3.4	2.5	0.8	33.3%
Net profit/(loss) after income tax expense	11.3	0.3	110.9	3173.2%
Non-controlling interest	5.0	3.7	1.2	32.8%
NPAT attributable to the owners of Healthia Limited[1]	**6.3**	**(3.3)**	**9.6**	NA

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

3. Financial Overview – Underlying Performance

To assist users of this report, information about the underlying performance of the Consolidated Entity is presented in Table 3 below which excludes the impact of acquisition and integration costs of the 27 (FY22: 95) allied health businesses acquired during the period and is adjusted for other one-off non-recurring items of income and expense. 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 3 and a reconciliation between statutory and underlying performance is provided further below in Table 4.

Table 3: Underlying Financial Performance

	Unaudited FY23 $m	FY22 $m	Change $m	Change %
Underlying Revenue[1]	255.9	202.8	53.1	26.2%
Underlying EBITDA[3,4] (removing impact of AASB16)	38.3	24.5	13.7	56.0%
Underlying NPATA[2]	23.0	12.0	10.6	88.5%
Non-controlling interest (NCI)	5.0	3.7	1.2	32.8%
Net post-tax P&L impact of AASB16 adoption[6]	0.9	0.9	0.0	3.1%
Underlying NPATA attributable to the owners of Healthia Limited (removing impact of AASB16)[5]	**18.9**	**9.2**	**9.7**	**105.4%**
Underlying EBITDA margin (removing impact of AASB16)[3,4]	15.0%	12.1%	2.9%	23.6%
Underlying NPATA margin (removing impact AASB16)[5]	7.4%	4.5%	2.9%	64.4%
Underlying Basic EPS (cents, removing impact AASB16)[7]	13.9cps	7.8cps	6.1cps	78.2%
NCI / Underlying NPATA[8]	21.1%	28.5%	(7.8%)	(27.2%)

[1] For the purposes of underlying performance, the Consolidated Entity included $0.6 million NSW JobSaver revenue subsidies received in FY22 only, nil in FY23.

[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 earnings 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 $20.7 million (FY22: $17.8 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 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 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 increased by $20.0 million (FY22: $17.8 million), depreciation expense increased by $19.0 million (FY22: $16.0 million), and finance costs increased by $3.1 million (FY22: $3.1 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 (FY23: 136.3 million, FY22: 117.9 million). Underlying EPS has not been audited.

[8]Non-Controlling Interest divided by Underlying NPATA. NCI/ Underlying NPATA has not been audited.

4. Financial Overview - Reconciliation from Underlying NPATA to Statutory NPAT

A reconciliation of underlying NPATA to statutory NPAT performance is detailed in Table 4 below.

Table 4: Reconciliation of Underlying EBITDA to Statutory NPAT

	FY23 Unaudited $m	FY22 $m
Underlying EBITDA (pre-AASB16)	**38.3**	**24.5**
Less: Finance costs (pre-AASB16)	(6.3)	(2.8)
Less: Tax expense (underlying)	(4.1)	(5.5)
Less: Depreciation (pre-AASB16)	(4.0)	(3.3)
Less: NCI (underlying)	(5.0)	(3.7)
Underlying NPATA attributable to the owners of Healthia Limited[1]	**18.9**	**9.2**
Less: COVID-19 related expenses[2]	(1.0)	(3.4)
Less: Acquisition costs[3]	(3.4)	(6.9)
Less: Integration costs[4]	(0.8)	(1.5)
Less: Restructuring costs and discontinued operations[5]	(3.9)	(2.2)
Less: Share-based payments expense and associated costs[6]	(1.0)	(1.4)
Less: Doubtful debts[10]	(0.5)	-
Less: Amortisation[7]	(1.9)	(1.7)
Less: Net impact of AASB16[8]	(0.9)	(0.9)
Add: Fair Value movements of contingent consideration[9]	1.2	1.6
Net taxation impact	(0.4)	3.9
Statutory NPAT attributable to the owners of Healthia Limited[1]	**6.3**	**(3.3)**

[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 $1.0 million (FY22: $3.4 million) of costs directly related to excess staff absenteeism related to illness and COVID.

[3] The Consolidated Entity incurred one-off acquisition costs of $3.4 million (FY22: $6.9 million) in relation to the acquisition of the 27 allied health businesses acquired. Acquisition costs include but are not limited to external legal, financial and taxation professional advisory services, stamp duty and other acquisition compliance costs, property lease assignment costs and directly attributable wage costs.

When calculated as a percentage of capital deployed for the period (FY23: $23.4 million; FY22: $111.3 million), acquisition costs represent approximately 14.6% (FY22: 6.2%), which is in line with prior periods (FY21: 5.9%, FY20: 14.8%, FY19: 13.0%).

[4] The Consolidated Entity incurred costs of $0.8 million for the integration of new businesses during the period.

[5] Restructuring costs of $3.9 million relating to clinics which have been merged, relocated, closed or are in the process of being closed, and the associated earnings contribution of those clinics during the period.

[6] 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.

[7] Amortisation of customer lists and software intangibles during the current period.

[8] AASB 16 'Leases' had a significant impact on the current period financial performance. This impact is comprised of the following changes due the application of AASB 16: occupancy costs increased by $20.7 million (FY22: $17.8 million), depreciation expense increased by $19.0 million (FY22: $16.0 million), and finance costs increased by $3.1 million (FY22: $3.1 million).

[9] Fair value adjustment associated with the reversal of contingent consideration which is no longer expected to be achieved due to lower than expected trading.

[10] Doubtful debts relate to a revision in recoverability of trade debtors.

5. Financial Overview – Underlying Cash Flow

The Consolidated Entity has historically delivered strong cash flow conversion. As shown in Table 5 below, the underlying cash flow conversion continues to be strong but FY23's conversion percentage reflects a strategic push into footwear and footwear accessories by the Feet and Ankles division in preparation for spring and summer of calendar 2023.

Table 5: Underlying Cash Flow

	Unaudited FY23 $m	FY22 $m
EBITDA(u)(pre-AASB16)[1,2]	**38.3**	**24.5**
Less: Changes in underlying working capital	(7.4)	(1.0)
Underlying operating cash flow (pre-tax, ungeared)[3]	**30.9**	**23.5**
Cash Conversion %[4]	*80.7%*	*95.9%*
Financing Costs (pre-AASB16)[5]	(6.3)	(3.0)
Tax Paid	(4.8)	(3.8)
Underlying operating cash flow (pre-tax, ungeared)[6]	**19.8**	**16.7**
Dividends paid to non-controlling interests	(4.5)	(3.4)
Capital Expenditure	(7.0)	(4.1)
Underlying free cash flow[7]	**8.3**	**9.2**

[1] EBTDA(u) is underlying earnings before interest tax and amortisation. EBITDA(u) 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 excludes the impact from the adoption of AASB16 on lease payments of $20.7 million (FY21: $17.8 million).

[3] Underlying operating cash flows (pre-tax, ungeared) reflects statutory operating cash flows less lease payments of $20.7 million and before finance costs and tax and excludes the impact non-recurring income and costs, such as acquisition costs ($3.4 million), integration costs ($0.8 million), restructuring costs ($3.0 million) and COVID related expenses ($1.0 million).

[4] Cash conversion % is calculated as EBITDA(u) (pre-AASB16) dividend by Underlying operating cash flow (pre-tax, ungeared).

[5] Finance costs include the finance and interest charged on the bank debt only and excludes interest associated with the accounting for AASB16.

[6] Underlying cash flows (post tax, geared) reflects statutory operating cash flows lease payments of $20.7 million and before finance costs and tax and excludes the impact non-recurring income and costs, such as acquisition costs ($3.4 million), integration costs ($0.8 million), restructuring costs ($3.0 million) and COVID related expenses ($1.0 million).

[7] Underlying free cash flow is calculated as Underlying cash flow (post-tax, geared) less capital expenditure for ongoing maintenance capex and for capital expansion and reflects the underlying cash generated by the Consolidated Entity.

Healthia Limited and its Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated Unaudited 2023 $'000	2022 $'000
Revenue from contracts with customers		252,556	200,264
Other income		3,358	2,520
Fair value movement of contingent consideration		1,243	1,550
Expenses			
Changes in inventories		3,609	2,527
Raw materials and consumables used		(24,217)	(20,785)
Employee benefits expense		(155,196)	(129,189)
Occupancy costs		(6,816)	(4,758)
Marketing costs		(3,470)	(3,218)
Other expenses		(12,642)	(11,335)
Impairment of receivables		(625)	(268)
Acquisition costs		(3,383)	(5,219)
Integration and restructuring costs		(3,790)	(2,183)
Share-based payments expense		(1,001)	(1,395)
Depreciation expense		(23,019)	(19,341)
Amortisation expense		(1,946)	(1,685)
Finance costs		(9,336)	(5,895)
Profit before income tax expense		15,326	1,590
Income tax expense		(4,099)	(1,247)
Profit after income tax expense for the year		11,227	343
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		11,227	343
Profit for the year is attributable to:			
Non-controlling interest		4,963	3,672
Owners of Healthia Limited		6,264	(3,329)
		11,227	343
Total comprehensive income for the year is attributable to:			
Non-controlling interest		4,963	3,672
Owners of Healthia Limited		6,264	(3,329)
		11,227	343
		Cents	Cents
Basic earnings per share	7	4.60	(2.82)
Diluted earnings per share	7	4.50	(2.82)

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

Healthia Limited and its Controlled Entities
Consolidated statement of financial position
As at 30 June 2023

	Note	Consolidated Unaudited 2023 $'000	Consolidated 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		5,589	5,666
Trade and other receivables		12,716	8,204
Inventories		14,141	10,532
Income tax		153	97
Other assets		4,353	3,199
Total current assets		36,953	27,698
Non-current assets			
Investments accounted for using the equity method		21	19
Property, plant and equipment		21,138	17,075
Right-of-use assets		63,539	59,073
Intangibles		267,476	246,326
Deferred tax		6,656	7,845
Total non-current assets		358,830	330,338
Total assets		395,783	358,036
Liabilities			
Current liabilities			
Trade and other payables		14,486	19,089
Borrowings		2,000	1,954
Lease liabilities		19,165	17,116
Employee benefit obligations		10,330	11,318
Provisions		1,087	357
Other liabilities		4,202	2,914
Total current liabilities		51,271	52,748
Non-current liabilities			
Borrowings		95,425	77,117
Lease liabilities		50,434	46,853
Derivative financial instruments		-	14
Employee benefit obligations		968	904
Provisions		2,618	2,975
Other liabilities		1,939	4,961
Total non-current liabilities		151,384	132,824
Total liabilities		202,655	185,572
Net assets		193,128	172,464
Equity			
Issued capital	4	159,312	146,213
Reserves		(1,123)	(2,124)
Retained profits/(accumulated losses)		(4,297)	(7,801)
Equity attributable to the owners of Healthia Limited		153,893	136,288
Non-controlling interest		39,236	36,176
Total equity		193,128	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 year ended 30 June 2023

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'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 year	-	-	(3,329)	3,672	343
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(3,329)	3,672	343
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 4)	58,128	-	-	-	58,128
Issue of performance rights	-	1,395	-	-	1,395
Issue of ordinary shares as consideration for business combinations (note 6)	5,771	-	-	-	5,771
Issue of ordinary shares as part of Dividend Reinvestment Plan (note 4)	2,736	-	-	-	2,736
Contributions of clinic class shares	-	-	-	1,154	1,154
Issue of clinic class shares as consideration for business combinations (note 6)	-	-	-	18,816	18,816
Buy-back of clinic class shares	-	-	-	(220)	(220)
Distributions paid to non-controlling interest	-	-	-	(3,394)	(3,394)
Dividends paid (note 5)	-	-	(4,792)	-	(4,792)
Balance at 30 June 2022	146,213	(2,124)	(7,801)	36,176	172,464

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

Healthia Limited and its Controlled Entities
Consolidated statement of changes in equity
For the year ended 30 June 2023

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2022	146,213	(2,124)	(7,801)	36,176	172,464
Profit/(loss) after income tax expense for the year	-	-	6,264	4,963	11,227
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	6,264	4,963	11,227
Transactions with owners in their capacity as owners:					
Issue of performance rights	-	1,001	-	-	1,001
Contributions of equity, net of transaction costs (note 6)	10,427	-	-	-	10,427
Issue of ordinary shares in iOrthotics USA LLC	-	-	-	268	268
Issue of ordinary shares as part of Dividend Reinvestment Plan (note 4)	2,672	-	-	-	2,672
Contributions of clinic class shares	-	-	-	1,270	1,270
Issue of clinic class shares as consideration for business combinations (note 6)	-	-	-	2,871	2,871
Buy-back of clinic class shares	-	-	-	(1,637)	(1,637)
Distributions paid to non-controlling interest	-	-	-	(4,674)	(4,674)
Dividends paid (note 5)	-	-	(2,760)	-	(2,760)
Balance at 30 June 2023	159,312	(1,123)	(4,297)	39,236	193,128

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

Healthia Limited and its Controlled Entities
Consolidated statement of cash flows
For the year ended 30 June 2023

	Note	Consolidated Unaudited 2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		251,774	198,056
Payments to suppliers (inclusive of GST)		(215,025)	(171,818)
		36,749	26,238
Interest received		45	1
Government grants (Covid-19)		-	622
Interest and other finance costs paid		(9,382)	(5,895)
Income taxes paid / refunded		(4,807)	(3,770)
Net cash from operating activities		22,605	17,196
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	6	(17,641)	(79,456)
Payments of contingent and deferred business purchases consideration		(3,358)	(1,554)
Payments for property, plant and equipment		(6,439)	(3,495)
Payments for intangibles		(103)	-
Proceeds from disposal of property, plant and equipment		-	50
Net cash used in investing activities		(27,541)	(84,455)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	4	13,742	62,570
Share issue transaction costs	4	(643)	(2,677)
Proceeds from issue of clinic class shares		1,270	1,154
Buy-back of clinic class shares		(1,637)	(220)
Proceeds from borrowings		18,310	29,065
Repayment of lease liabilities		(19,062)	(14,877)
Dividends paid to non-controlling interest		(4,674)	(3,394)
Dividends paid	5	(2,760)	(4,792)
Proceeds from related party loan		268	-
Net cash from financing activities		4,814	66,829
Net decrease in cash and cash equivalents		(122)	(430)
Cash and cash equivalents at the beginning of the financial year		3,712	4,142
Cash and cash equivalents at the end of the financial year (net of overdraft)		3,590	3,712

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

Note 1. General information

The financial statements cover Healthia Limited as a consolidated entity consisting of Healthia Limited ('Company', 'Healthia' or 'parent entity') and the entities it controlled at the end of, or during, the year (referred to in these financial statements as the 'Consolidated Entity'). 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

Note 2. Significant accounting policies

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is to be read in conjunction with any public announcements made by Healthia Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the Australian Securities Exchange Listing Rules.

The preliminary financial report, comprising the financial statements and notes of Healthia Limited and its controlled entities, complies with the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The principal accounting policies adopted in the preparation of the preliminary financial report are consistent with those of the previous financial year.

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

Note 3. 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 and are, therefore, termed "non-IFRS" measures and are not audited.

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 and speciality hand therapy services.
Eyes and Ears Division	This division provides optometry and audiology services.

Note 3. Operating segments (continued)

Presentation of revenue and results
Underlying results 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.

Operating segment information

Consolidated - Unaudited 2023	Feet & Ankles $'000	Bodies & Minds $'000	Eyes & Ears $'000	Other[1] $'000	Total $'000
Revenue					
Sales to external customers	61,039	148,284	43,233	-	252,556
Total revenue	61,039	148,284	43,233	-	252,556
EBITDA - underlying	13,269	28,942	8,327	(12,267)	38,271
Addback property lease costs[2]	5,173	11,020	4,555	-	20,748
Depreciation and amortisation expense	(6,145)	(13,250)	(5,570)	-	(24,965)
Share-based payments expense	-	-	-	(1,001)	(1,001)
Finance costs	-	-	-	(9,336)	(9,336)
Excess Sick Leave (Flu / COVID)	-	-	-	(1,035)	(1,035)
Acquisition costs	-	-	-	(3,383)	(3,383)
Integration and restructuring costs	-	-	-	(4,690)	(4,690)
Doubtful Debts	-	-	-	(527)	(527)
Fair value movement of contingent consideration	-	-	-	1,243	1,243
Profit/(loss) before income tax expense	12,298	26,712	7,312	(30,996)	15,326
Income tax expense					(4,099)
Profit after income tax expense					11,227

Consolidated - 2022	Feet & Ankles $'000	Bodies & Minds $'000	Eyes & Ears $'000	Other[1] $'000	Total $'000
Revenue					
Sales to external customers	53,183	109,825	37,256	-	200,264
Total revenue	53,183	109,825	37,256	-	200,264
EBITDA	8,662	18,580	9,252	(11,956)	24,538
Addback property lease costs[2]	5,129	8,837	3,829	-	17,795
Depreciation and amortisation expense	(6,175)	(10,206)	(4,644)	-	(21,025)
Share-based payments expense	-	-	-	(1,395)	(1,395)
Finance costs	-	-	-	(5,895)	(5,895)
COVID related expenses	-	-	-	(3,383)	(3,383)
Acquisition cost	-	-	-	(6,859)	(6,859)
Integration and restructuring costs	-	-	-	(3,736)	(3,736)
Fair value movement of contingent consideration	-	-	-	1,550	1,550
Profit/(loss) before income tax expense	7,616	17,211	8,437	(31,674)	1,590
Income tax expense					(1,247)
Profit after income tax expense					343

[1] The 'Other' category comprises corporate functions and does not represent an operating segment.
[2] 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. Operating segments (continued)

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

Note 4. Issued capital

	Consolidated			
	Unaudited 2023 Shares '000	2022 Shares '000	Unaudited 2023 $'000	2022 $'000
Ordinary shares - fully paid	140,192	128,316	159,312	146,213

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
Issue of ordinary shares - Dividend Reinvestment Plan	24 March 2022	1,449	$1.75	2,537
Share issue transaction costs (net of tax)				(1,905)
Balance	1 July 2022	128,316		146,213
Issue of ordinary shares - Institutional 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 – Performance Rights	27 October 2022	2,191	-	-
Issue of ordinary shares - Dividend Reinvestment Plan	27 March 2023	2,214	$1.25	2,760
Share issue transaction costs (net of tax)				(643)
Balance	30 June 2023	140,192		159,312

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

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

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

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

Note 4. Issued capital (continued)

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

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

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

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Accounting policy for issued capital
Ordinary shares are classified as equity.

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

Note 5. Dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	Unaudited 2023 $'000	2022 $'000
Interim dividend for the year ended 30 June 2023 of 2.0 cents per ordinary share	2,760	-
Interim dividend for the year ended 30 June 2022 of 2.0 cents per ordinary share	-	2,537
	2,760	2,537

The Directors of Healthia Limited have not yet determined whether to declare a final dividend for FY23 given the terms of the proposed acquisition of Healthia by way of a scheme of arrangement (refer to note 9 for further information).

Franking credits

	Consolidated	
	Unaudited 2023 $'000	2022 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	9,577	10,388

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

Accounting policy for dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Note 6. Business combinations

Acquisition of Corio Bay Health Group (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 $0.4 million in contingent consideration.

For the 12 month period ended 30 June 2023, Corio Bay Health Group contributed revenue of $3.1 million and EBITDA of $0.8 million (pre-AASB 16) to the Consolidated Entity. If these acquisitions had been held for the full 12 month period (by extrapolating the actual performance) the acquired businesses would have contributed revenue of $5.3 million and EBITDA of $1.1 million (pre-AASB 16) to the Consolidated Entity.

Acquisition of Melbourne Hand Rehab (Bodies & Minds Division)

On 2 March 2023, the Consolidated Entity acquired the businesses trading under the name Melbourne Hand Rehab being a group of 8 hand therapy businesses located in Victoria. Initial consideration paid for the acquisition was $4.4 million including $3.3 million in cash consideration and $1.1 million in Clinic Class Shares consideration, with up to an additional $0.5 million in contingent consideration.

For the 12 month period ended 30 June 2023, Melbourne Hand Rehab contributed revenue of $1.6 million and EBITDA of $0.8m (pre-AASB 16) to the Consolidated Entity. If these acquisitions had been held for the full 12 month period (by extrapolating the actual performance) the acquired businesses would have contributed revenue of $4.7 million and EBITDA of $2.2 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 the acquisitions was $3.1 million including $2.4 million in cash consideration and $0.7 million in Clinic Class Share consideration, with up to an additional $0.1 million in contingent consideration.

For the 12 month period ended 30 June 2023, the acquired businesses contributed revenue of $2.0 million and EBITDA of $0.4 million (pre-AASB 16) to the Consolidated Entity. If these acquisitions had been held for the full 12 month period (by extrapolating the actual performance) the acquired businesses would have contributed revenue of $3.1 million and EBITDA of $0.6 million (pre-AASB 16) to the Consolidated Entity.

Acquisition of Kosmac & Clemens (Eyes & Ears Division)

On 20 March 2023, the Consolidated Entity acquired the businesses trading under the name Kosmac & Clemens being a group of 5 Optometry businesses located in Victoria. Initial consideration paid for the acquisition was $7.5 million in cash consideration and an additional $1.9 million in deferred consideration.

For the 12 month period ended 30 June 2023, Kosmac & Clemens contributed revenue of $0.6 million and EBITDA of $0.3 million (pre-AASB 16) to the Consolidated Entity. If these acquisitions had been held for the full 12 month period (by extrapolating the actual performance) the acquired businesses would have contributed revenue of $4.8 million and EBITDA of $2.0 million (pre-AASB 16) to the Consolidated Entity.

Acquisition of Other Eyes & Ears stores

The Consolidated Entity acquired an additional 2 optometry stores during the current period. Initial consideration paid for the acquisitions was $0.2 million in cash consideration.

For the 12 month period ended 30 June 2023, the acquired businesses contributed revenue of $0.3 million and EBITDA of $0.03 million (pre-AASB 16) to the Consolidated Entity. If these acquisitions had been held for the full 12 month period (by extrapolating the actual performance) the acquired businesses would have contributed revenue of $1.1 million and EBITDA of $0.1 million (pre-AASB 16) to the Consolidated Entity.

Note 6. Business Combinations (continued)

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.

Details of the acquisitions are as follows:

	Bodies & Minds Division			Eyes & Ears Division		
Provisional fair value	Corio Bay $'000	Melbourne Hand Rehab $'000	Others (Bodies & Minds) $'000	Kosmac & Clemens $'000	Others (Eyes & Ears) $'000	$'000
Inventories	-	121	100	200	53	473
Plant and equipment	241	235	141	401	37	1,055
Right-of-use assets	2,524	831	867	329	253	4,804
Customer lists	226	161	83	190	40	700
Deferred tax asset	923	303	316	148	101	1,792
Other assets	29	79	8	22	10	147
Deferred tax liability	(825)	(298)	(285)	(156)	(88)	(1,651)
Employee benefits	(394)	(177)	(145)	(164)	(85)	(966)
Lease liability	(2,524)	(834)	(867)	(329)	(253)	(4,806)
Other liabilities	(160)	(11)	(51)	(50)	(20)	(292)
Net assets acquired	40	410	165	591	49	1,255
Goodwill	5,684	4,495	3,005	8,773	154	22,111
Acquisition-date fair value of the total consideration transferred	5,724	4,905	3,171	9,364	203	23,366
Representing:						
Cash paid or payable to vendor	4,265	3,319	2,390	7,464	203	17,641
Contingent consideration	359	492	105	-	-	956
Deferred consideration	-		-	1900	-	1,900
Clinic Class Shares issued to vendor	1,100	1,094	676	-	-	2,869
	5,724	4,905	3,171	9,364	203	23,366

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.

Accounting policy for business combinations

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

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

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

Note 6. Business combinations (continued)

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

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.

Note 7. Earnings per share

	Consolidated	
	Unaudited 2023 $'000	2022 $'000
Profit after income tax	11,227	343
Non-controlling interest	(4,963)	(3,672)
Profit/(loss) after income tax attributable to the owners of Healthia Limited	6,264	(3,329)
	Number '000	**Number '000**
Weighted average number of ordinary shares used in calculating basic earnings per share	136,278	117,892
Adjustments for calculation of diluted earnings per share:		
Performance rights	3,358	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	136,310	117,892
	Cents	**Cents**
Basic earnings per share	4.60	(2.82)
Diluted earnings per share	4.50	(2.82)

Note 7. Earnings per share (continued)

Accounting policy for earnings per share

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

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

Note 8. Other Significant Information

There is no other significant information in addition to the information that has been included in this report in relation to the company's financial performance or financial position.

Note 9. Events after the reporting period

New Acquisitions
As at 31 August 2023, the Consolidated Entity has entered into binding agreements to acquire the following businesses,

- Walk Without Pain Podiatry Clinics (3 podiatry clinics located in Queensland); and,
- Melbourne Hand Therapy (9 hand therapy clinics and an additional 4 sessional locations located in Victoria).

Total upfront consideration of $3.6 million for the acquisitions (plus stock, less employee entitlements) is as follows:

- Upfront cash consideration: $2.8 million; and,
- Issue of Clinic Class Shares: $0.8 million.

In addition to the upfront consideration, contingent consideration of up to $0.7million may become payable in cash, subject to the achievement of pre-defined earnings targets.

Scheme Implementation Deed
On 31 August 2023, the Consolidated Entity entered into a Scheme Implementation Deed with Harold BidCo Pty Ltd ("Harold BidCo") ACN 670 606 827, an entity owned by funds advised by Pacific Equity Partners under which it is proposed that Harold BidCo will acquire 100% of the fully diluted share capital in Healthia by way of a scheme of arrangement. Under the scheme, Healthia shareholders will have the option to receive either $1.80 cash per Healthia share, or a mix of cash and unlisted scrip subject to certain conditions. Details of the proposed acquisition are contained in a separate announcement released on the ASX.

Note 10. Audit Status

These financial statements are preliminary and are in the process of being audited.