Healthia

For personal use only

# Building foundations for success & growth

ANNUAL REPORT

# 2022

# 2022 Highlights

For personal use only

### Revenue(u)

**$202.8m**

Increased by 44.4%

### EBITDA(u)

**$24.5m**

Increased by 14.3%

### EBITDA(x)

**$40.0m***

CAGR of 45%

*(FY19-FY23)*

**Assumes no further impacts from COVID-19*

### NPATA(u)

**$9.2m**

Increased by 3.8%

### Clinician Retention Rates

**83.8%**

### No. of Appointments

**Over 1.6m**

Patients seen in FY22

### Capital Deployed

**$111.3m**

Increased by 78.5%
Yearly Target >$20m

### Number of Clinics

**307**

Increased by 195% since listing on the ASX in September 2018

### Grad Clinicians

**154**

Up from 64 in FY21
Graduate clinicians have assisted growth or help provide staffing stability during the pandemic

Healthia

# Healthia at a glance

## Our Purpose

To connect people with exceptional allied healthcare products and services, creating healthier lives and happier communities



## Our Vision

To be the leading diversified allied healthcare provider across Australia and New Zealand

## Our Strategies

### Connect

We will connect:

- With each other as a Healthia family
- Our teams with tailored, unique and fulfilling career journeys
- With a diverse array of clients; and
- Our clients to their individual allied health care requirements

Working together to ensure connections have a positive social impact on the communities around us

### Quality

Deliver quality and excellence in products & services to our clients above all else. No compromise.

### Innovation

Continuous improvement & innovation, ensuring we are seen as leaders in allied health.

### Growth

Strong performance & compliance will drive growth & provide opportunities for The Consolidated Entity team members & clients.

### Extensive Coverage

Ongoing sustainable expansion to deliver a products & services network accessible to 50% of Australia and New Zealand.

## Our Core Philosophies

Our strategies outline how we will work to achieve our vision and purpose; however, our businesses operate on a set of core philosophies that guide and enable us to work towards achieving these goals. These core philosophies shape our teams' behaviors and the way we connect to each other as a family, to our clients and to the communities we operate in.

### Excellence

We pursue excellence in everything we do by bringing diversity & innovation to health care, by taking care of our teams & the clients we treat & by serving the communities that we are a part of.

### Everyone

We embrace a team approach that values and encourages collaboration and mutual respect for everyone, delivering exceptional results for clients and our fellow team members.

### Empathy

We are understanding and supportive, giving clients the advocacy and excellence in health care that is specific to their needs through our collaborative health care approach.

### Education

We are committed to our own personal and professional development by engaging in a wide range of learning opportunities, fostering a culture of continuous improvement.

Healthia

For personal use only

# Healthia Divisions at a glance

For personal use only

## Bodies & Minds

Our Bodies & Minds division consists of our network of physiotherapy, hand therapy, occupational therapy and speech pathology clinics located throughout Australia and New Zealand.

**148**
no of clinics
**+83 since 1 July 2021**

Revenue
**$110m**
+85% vs FY21
+163% vs FY20

**55%**
of group revenue

**82.5%**
Net promoter score

## Feet & Ankles

Our Feet & Ankles division consists of our network of podiatry clinics and retail footwear stores located throughout Australia and USA. The Feet & Ankles division also includes orthotic manufacturing business iOrthotics and podiatry wholesale business DBS.

**104**
no of clinics
**+1 since 1 July 2021**

Revenue
**$53m**
-7%% vs FY21
+17% vs FY20

**27%**
of group revenue

**85.2%**
Net promoter score

## Eyes and Ears

Our Eyes & Ears division consists of our network of optometry and audiology stores located throughout Australia. The Eyes & Ears divisions also include eye frame distibutor AED.

**55**
no of clinics
**+11 since 1 July 2021**

Revenue
**$37m**
+83% vs FY21
N/A vs FY20

**18%**
of group revenue

**80.0%**
Net promoter score

## Support Office

The Consolidated Entity operates a centralised support function which includes administrative tasks such as bookkeeping, payroll, marketing, information technology, education and operational business support. During the financial year a restructure occurred ensuring efficiencies and effectiveness of this function.

**$12m**
Total support cost
For the year ended
30 June 2022

**$8m**
Total support cost
For the year ended
30 June 2021

Healthia

# Healthia Limited and its Controlled Entities

**ACN 626 087 223**

## Annual Report - 30 June 2022

For personal use only

**Healthia Limited and its Controlled Entities**
**Contents**
**30 June 2022**


| | |
|---|---|
| Corporate directory | 2 |
| Chairperson's letter | 3 |
| Managing Director's letter | 5 |
| Directors' report | 16 |
| Auditor's independence declaration | 33 |
| Consolidated statement of profit or loss and other comprehensive income | 34 |
| Consolidated statement of financial position | 35 |
| Consolidated statement of changes in equity | 36 |
| Consolidated statement of cash flows | 38 |
| Notes to the consolidated financial statements | 39 |
| Note 1. General information | 39 |
| Note 2. Significant accounting policies | 39 |
| Note 3. Critical accounting judgements, estimates and assumptions | 43 |
| Note 4. Segment Information | 45 |
| Note 5. Revenue from contracts with customers | 46 |
| Note 6. Other income | 48 |
| Note 7. Expenses | 49 |
| Note 8. Income tax | 50 |
| Note 9. Cash and cash equivalents | 52 |
| Note 10. Trade and other receivables | 52 |
| Note 11. Inventories | 54 |
| Note 12. Other assets | 54 |
| Note 13. Investments accounted for using the equity method | 55 |
| Note 14. Property, plant and equipment | 55 |
| Note 15. Right-of-use assets | 56 |
| Note 16. Intangibles | 58 |
| Note 17. Trade and other payables | 61 |
| Note 18. Borrowings | 61 |
| Note 19. Lease liabilities | 63 |
| Note 20. Derivative financial instruments | 64 |
| Note 21. Employee benefit obligations | 64 |
| Note 22. Provisions | 65 |
| Note 23. Other liabilities | 65 |
| Note 24. Issued capital | 66 |
| Note 25. Reserves | 67 |
| Note 26. Non-controlling interest | 68 |
| Note 27. Dividends | 68 |
| Note 28. Financial instruments | 69 |
| Note 29. Fair value measurement | 72 |
| Note 30. Key management personnel disclosures | 74 |
| Note 31. Remuneration of auditors | 74 |
| Note 32. Contingent liabilities | 74 |
| Note 33. Related party transactions | 74 |
| Note 34. Parent entity information | 75 |
| Note 35. Business combinations | 76 |
| Note 36. Interests in subsidiaries | 83 |
| Note 37. Cash flow information | 85 |
| Note 38. Earnings per share | 85 |
| Note 39. Share-based payments | 86 |
| Note 40. Events after the reporting period | 90 |
| Directors' declaration | 91 |
| Independent auditor's report to the members of Healthia Limited | 92 |
| Shareholder information | 98 |


For personal use only

**Healthia Limited and its Controlled Entities**
**Corporate directory**
**30 June 2022**

| | |
|---|---|
| Directors | Dr Glen Richards<br>Paul Wilson<br>Lisa Dalton<br>Wesley Coote<br>Darren Stewart<br>Colin Kangisser<br>Lisa Roach (appointed as Director on 21 April 2022)<br>Anthony Ganter (resigned as Director on 22 April 2022) |
| Company Secretaries | Christopher Banks<br>Julia Murfitt (appointed as Company Secretary on 23 February 2022) |
| Notice of annual general meeting | The Annual General Meeting of Healthia Limited is expected to be held on 23 November 2022. |
| Registered office | Level 4, East Tower<br>25 Montpelier Road<br>Bowen Hills QLD 4006 |
| Share register | Link Market Services Limited<br>Level 12, 680 George Street<br>Sydney NSW 2000<br>www.linkmarketservices.com.au |
| Auditor | BDO Audit Pty Ltd<br>Level 10, 12 Creek Street<br>Brisbane QLD 4000<br>www.bdo.com.au |
| Solicitors | Clayton Utz<br>Level 28, Riparian Plaza<br>71 Eagle Street<br>Brisbane QLD 4000<br>www.claytonutz.com.au<br><br>Colin Biggers & Paisley<br>Level 35, 1 Eagle Street<br>Brisbane QLD 4000<br>www.cbp.com.au |
| Website | www.healthia.com.au |
| Corporate Governance Statement | The Consolidated Entity's directors and management are committed to conducting the company's business in an ethical manner and in accordance with the highest standards of corporate governance. The Consolidated Entity has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (4th Edition) to the extent appropriate to the size and nature of the company's operations. The Consolidated Entity's policies can be found on its website: https://www.healthia.com.au/corporate-governance/ |

For personal use only

**Healthia Limited and its Controlled Entities**
**Chairperson's Letter**
**30 June 2022**

Dear Fellow Shareholders,

As the pandemic continued through FY2022, it is pleasing to see our exceptional team members prioritise their patients, customers and the communities around them. More importantly, they have continued to support each other, each playing their part in ensuring that quality health care continues to be delivered throughout the COVID-19 pandemic. We have seen our teams really live our core philosophies comprising Excellence, Everyone, Empathy and Education. The Board and I recognise and celebrate the dedication and achievements of the Consolidated Entity's team members this year, despite the many challenges they faced.

While the pandemic threw us another curve ball in H222, with higher than normal staff absenteeism and patient and customer appointment cancellations due to illness, FY2022 was a year of transformation and growth for the Consolidated Entity. During the year, the Consolidated Entity deployed $111.3m of capital on new business acquisitions, including $91.7m for the acquisition of the 63 Back In Motion clinics. FY2022 saw us grow to over 300 allied health businesses, enter the New Zealand market and increase team member numbers to over 2,425. We finish FY2022 having transformed into a robust and scalable allied health platform, seeing us become one of Australia and New Zealand's largest allied health providers, while positioning ourselves for continued growth into the future.

In the Review of Operations, we summarise the Consolidated Entity's operational and financial performance for FY2022. You will note that performance was impacted during FY2022 due to COVID-19 associated lockdowns in H122, followed by an increase in staff absenteeism, and patient and customer appointment cancellations in H222 once borders reopened and the COVID-19 omicron variant spread throughout Australia and New Zealand.

During H222, the Board undertook a strategic review of the Consolidated Entity, and as a result, have refreshed and reset the Consolidated Entity's strategic fundamentals. This update to the Consolidated Entity's vision, purpose, and strategic focus was driven by the significant growth achieved since listing on the ASX in 2018. The resulting updates better reflect the Consolidated Entity's current size and scale, and will position the Consolidated Entity for success moving forward.

The Consolidated Entity's purpose is to connect our patients and customers with allied health products and services, assisting them to live happier and healthier lives. One key strategy to support this is the development of a technology platform across the business that better links our patients and customers to our products and services. Moreover, technology that enables our team members to provide products and services to our patients and customers in an efficient, timely and cost-effective way. Our "Healthia Technology Roadmap" (the **Roadmap**) has been developed and execution of various associated projects have commenced. Once completed, this Roadmap is expected to assist future organic growth and increase operational efficiencies across our businesses.

The Board has been monitoring trading conditions closely and has seen demand for our allied health products and services stabilise in Australia since May 2022. However, we are still experiencing fluctuating trading conditions in our New Zealand clinics (which represents approximately only 0.8% of group revenue). Whilst we are still experiencing some impacts from staff absenteeism and patient and customer appointment cancellations, the trading stability in our Australian clinics has provided confidence that the Consolidated Entity is well placed to deliver the stated EBITDA(u) target of greater than $40m in FY2023.

We are also committed to continued portfolio expansion through the disciplined acquisition of complementary businesses which support long-term value accretion. Current acquisition pipeline continues to grow with over 110 allied health businesses being reviewed as part of our active pipeline.

However, after incurring significant acquisition, integration and restructuring costs as a result of the 95 allied health businesses acquired during the period, and due to the volatility created from COVID during FY2022, the Board has resolved to take a more conservative approach to cash flow and balance sheet management. The Consolidated entity launched a 1 for 12.5 pro rata accelerated non-renounceable entitlement offer to raise up to $15 million, partly underwritten to $10 million, on 8 September. Completion of the $10 million underwritten accelerated rights issue occurred on 12 September 2022, with the remaining $5 retail offer to close on 30 September 2022. The equity raising allows the Consolidated Entity to capitalise on accretive and strategic near-term acquisition opportunities as well as provide additional financial flexibility.

As at the date of signing the financial report, the Directors of Healthia Limited have not declared the payment of a final dividend for 2022. This decision has been made within the context of the significant one-off costs incurred during the period, in addition to the significant growth opportunities (both organic and inorganic) available to the Consolidated Entity. The Consolidated Entity plans to resume its stated dividend policy, of distributing between 40% to 60% of underlying NPATA, during the next financial year.

The Executive team are committed to delivering quality, innovation and organic growth, while continuing portfolio growth. This focus will ensure we are looking after our team members, our patients and customers and that we are working positively towards our goal of becoming Australia and New Zealand's leading diversified allied healthcare provider.

Thank you again to Healthia's team members for the ongoing dedication and commitment and to our shareholders for their continued support.

For personal use only

**Healthia Limited and its Controlled Entities**
**Chairperson's Letter**
**30 June 2022**

Dr Glen Richards

**Chairperson**

For personal use only

**Healthia Limited and its Controlled Entities**
**Managing Director's Letter**
**30 June 2022**

Dear Fellow Shareholders,

As we progress further into the global COVID-19 pandemic, we continue to face new challenges. The financial year commenced with several states in Government-imposed lockdowns, before Australia and New Zealand borders reopened, and the nation experienced its largest wave of COVID-19 cases through the insurgence of the Delta and Omicron COVID-19 variants. This resulted in a material disruption across the Consolidated Entity network caused by increased staff absenteeism and patient and customer appointment cancellations due to illness.

The impacts from staff absenteeism and patient and customer appointment cancellations were greatest when mandatory isolation rules applied to "close contacts". As these Government imposed rules and regulations were eased, we saw trading conditions improve, and since May 2022, we have seen consistent and stable trading conditions across the Australian portfolio. Trading conditions in New Zealand continue to fluctuate, however, this portfolio contributes only 0.8% of our group revenue.

While trading conditions have stabilised, there are still improvements to be made. These improvements will come when staff absenteeism and patient and customer appointment cancellations due to illness normalise closer towards historical levels; the timing of which remains unknown at this stage.

Despite the ongoing disruptions from COVID-19, for the period 1 May 2022 to 31 August 2022, we can confirm unaudited EBITDA(u) for the 4-month period was circa $13.0m. When annualised (and considering seasonality), we are pleased to confirm that EBITDA(u) continues to track to our guidance of greater than $40m.

This is a testament to the dedication of Healthia's team members and the strength and resilience of the underlying business of the Consolidated Entity.

**Financial Year 2022 In Review**

Despite the impacts and challenges from COVID-19, the Consolidated Entity's underlying revenue grew strongly to $202.8m (FY2021: $140.4m), up 44.4%. See Table 1 below for year-on-year revenue since FY19, showing the strong revenue growth achieved by the Consolidated Entity since listing on the ASX.

Table 1: Healthia Revenue

| | *FY22* | *FY21* | *FY20* | *FY19* |
|---|---|---|---|---|
| | *$'000's* | *$'000's* | *$'000's* | *$'000's* |
| Underlying Revenue | 202,759 | 140,407 | 92,493 | 65,929 |
| CAGR (FY19-FY22) | 45.4% | | | |

*Underlying revenue 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.*

Whilst overall revenue growth was 44.4%, Same Clinic Growth revenue was down 8.1% (FY2021: up 4.7%) due largely to the resulting impacts from COVID-19, comprising Government-mandated lockdowns, staff absenteeism, and patient and customer cancellations due to illness.

FY2021 revenue was positively impacted by Government stimulus and pent-up demand. Therefore, when comparing FY2022 to FY2020, Same Clinic revenue growth was up by 3.4%. This demonstrates the resilient and non-discretionary nature of the Consolidated Entity's revenue.

Other highlights during the financial year included:

- During the period we deployed over $111.3m of capital on portfolio expansion growing from 212 businesses to 307 businesses, being an increase of 44%. This growth results in the Consolidated Entity becoming one of Australia and New Zealand's largest allied health businesses, creating solid foundations for continued expansion and success;
- We completed our largest acquisition since listing with the Back In Motion Group, consisting of 63 physiotherapy clinics in Australia and New Zealand. Total consideration for Back In Motion was $91.7m, and was expected to contribute $62.3m and $12.2m of annualised revenue and EBITDA(u) respectively. Historically operating under a franchise business model, each clinic was immediately transitioned to the Consolidated Entity's clinic class share ownership model upon settlement, with franchisees retaining ownership of between 10% to 48% in their respective clinic. The franchisee clinic settlements occurred between October 2021 and December 2021, meaning the Consolidated Entity's part ownership during the financial-year was negatively impacted by the COVID-19 omicron wave that hit Australia and New Zealand in December 2021. This COVID-19 outbreak had negative impacts on trading due to abnormally high rates of staff absenteeism and patient and customer appointment cancellations due to illness, peaking between January 2022 and April 2022. Trading stabilised in May 2022 (but is still not back to expected levels), with unaudited revenue and EBITDA(u) for the period 1 May 2022 to 31 August 2022 expected to be $15m and $3m respectively.
- As part of the Back In Motion acquisition, the Consolidated Entity acquired a 33% stake in Software Group Holdings Pty Ltd, the owner of proprietary software used by the Back In Motion Group, EVOSuite. This prompted a full review of our centralised

For personal use only

technology and IT systems with the final result being the documentation of the "Healthia Technology Roadmap". This 2-year roadmap includes a number of key projects that will merge EVOSuite together with existing systems of the Consolidated Entity. Some systems will, and have already been, made redundant. Furthermore, various other group-wide technology related communication projects are well underway, most notably the recent launch of the "Healthia Hub" and "Workplace". Our goal is to be a global leader with the systems we use to support and operate our clinics and the systems used to provide products and services to our patients and customers.

- Integration of the Back In Motion Group was more costly than originally anticipated, which included acquisitions costs ($6.9m) and a number of integration ($1.5m) and restructuring costs ($2.2m). Restructuring costs included the rationalisation of the Back In Motion support office located in Melbourne and the decommissioning of a number of systems not required moving forward. Integration has now largely been completed, with only those costs associated with the merging and decommissioning of certain systems as part of the Healthia Technology Roadmap remaining. Cultural integration is also nearing completion with a number of key events bringing together our clinic partners and teams taking place over the last 3 months. The final major cultural integration initiative will be the Healthia conference, to be held in October 2022.
- We successfully negotiated an increase in our existing finance facility with our banks, from $70 million to $100 million, providing headroom to continue the stated strategy of providing extensive coverage across the Australia and New Zealand allied health markets.
- We trained and inducted 154 new graduate clinicians, up from 64 in the prior corresponding period. These graduates assist with vacancies and continued organic growth. Graduate recruitment for FY2023 is currently underway with graduates expected to start in early February 2023.
- Clinician retention rates across the group dropped below 90% for the first time, driven largely by resignations between 1 February 2022 to 31 May 2022. Most resignations were due to lifestyle changes and would have otherwise occurred earlier in the pandemic if not for lockdowns and border closures. We have attracted and recruited new clinicians at roughly the same run-rate as resignations, with additional graduates currently being recruited for commencement in early calendar year 2023 to fill remaining vacancies.

**Connect, Support, Inspire**

I continue to be extremely proud of how our team members have responded to the COVID-19 pandemic, and how they have remained engaged and committed to each other, their patients and customers and the communities that they are a part of. I would like to take this opportunity to personally thank all of Healthia's dedicated team members and to acknowledge all of their hard work and resilience during this challenging period.

We will continue to find ways to support our teams better with our latest initiatives and strategies focused on "Connect, Support and Inspire". The key focus over the next 12 months is to:

1. "Connect" better as a Healthia team. The pandemic created a lot of "new norms" and a number of those took away the human connection we have all enjoyed in the past. The key areas of connection will include:
   - ✓ Each clinic to have a face-to-face visit from at least one Executive team member during FY2023 (+140 clinic visits achieved to date)
   - ✓ The launch of Workplace, an online collaborative software tool developed by Meta, designed to facilitate online sharing, messaging etc across all staff
   - ✓ Regional events, ensuring teams are coming together, face-to-face, on a regular basis
   - ✓ Scheduled ongoing education and professional development events, including the group-wide conference, to be held on the Gold Coast in October 2022
2. As one of the largest allied health professional employers in Australia and New Zealand, we believe it is important that we "Connect" all team members to individual career journeys. This year we will ensure our team members have engaged in this conversation, that they feel "Supported" and "Inspired" in their careers with Healthia.

**Strategy Reset**

We have recently refreshed our strategic communications and messaging to ensure they remain relevant to our teams, patients, customers, and other stakeholders. Due to the pandemic, and post achieving a key scale milestone of 300+ clinics, we have made a number of subtle changes. The strategic direction remains largely unchanged, however, some updates have been made to our purpose, vision and key strategies.

For personal use only

Our 5 key strategies of:

1. Connect
2. Quality
3. Innovation
4. Growth
5. Extensive Coverage

can be found in more detail within the Review of Operations.

**Outlook**

While trading conditions in Australia have stabilised, we are still experiencing some lingering impacts from COVID-19. We will continue to monitor these closely and find new ways to improve staff absenteeism and patient and customer appointment cancellations as the pandemic eases. Continuing to evolve and meet the ongoing challenges of COVID-19 will ensure we are positioned to maximise productivity, revenue and EBITDA(u).

We will keep the major focus on our teams and how we engage with them during these unprecedented times. Our aim is to ensure clinician retention rates return to 90%+ and to engage Best Practice Australia to conduct our third culture survey in May 2023 to assess the effectiveness of our engagement strategies.

Graduate recruitment is underway to ensure we have the scale of workforce required to deliver products and services to our patients and customers. Graduate offers are expected to be accepted and finalised by the end of November 2022, with new graduates to commence their training in early February 2023.

As inflation increases across Australia and New Zealand, we took the opportunity to perform a full review of our products and service fees. This has been completed and we have increased fees across the group by circa 4%.

The national award that governs health professional wages increased by 4.6% at the start of FY2023. A full review of all wages has been completed with pay increases being given to those employees on the minimum awards and to others on a case-by-case basis. Furthermore, as most of our clinicians are paid the higher of their base salary or an agreed percentage of their personal billings, clinician wages are expected to increase in line with fee increases.

After careful consideration of the above impacts and taking into the consideration the unaudited 4-month trading period from 1 May 2022 to 31 August 2022, I am pleased to be able to confirm that the Consolidated Entity still expects to deliver EBITDA(u) in FY2023 of greater than $40.0 million (assuming no further negative impacts from COVID-19).

We are also well positioned to continue our network expansion with a large current pipeline of acquisition opportunities, including the recent announcement noting binding agreements have been entered into to acquire the following businesses:

- Corio Bay Health Group, a physiotherapy business located throughout south-west and south-east Melbourne and Geelong, Victoria (9 clinics);
- Watsonia Physiotherapy, a physiotherapy business located in Watsonia, Victoria (1 clinic) .

It is expected that a minimum of $20.0m of capital will be deployed in FY2023 utilising current banking facilities, cash from the recent capital raising, free cash and clinic class shares to fund these acquisitions.

Finally, I would like to reinforce that we are well placed to rebound from the challenges of COVID-19. Through the platform we have created, we are positioned well to capitalise on the ever-changing economic environment due to the underlying strength, resilience and diversification created by the scale achieved in FY2022. We will remain focused on executing our team engagement strategies, finding areas to drive organic and acquisitive growth and use our technology roadmap to enhance, run and evolve our business.

Wesley Coote

**Managing Director and Chief Executive Officer**

For personal use only

**Review of Operations**

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $3.33 million (FY21: profit of $5.16 million). The statutory financial performance of the Consolidated Entity was impacted by staff absenteeism and patient and customer cancellations due to COVID, isolated flooding in Southeast Queensland and New South Wales, and one-off acquisition, integration and restructuring costs.

The Consolidated Entity's underlying net profit after income tax and non-controlling interest but before amortisation from customer lists amounted to $9.20 million (FY21: profit of $8.86 million). A reconciliation between statutory and underlying financial performance is provided below at Table 3.

## 1. Significant changes in the state of affairs

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

*1. Acquisitions*

The Consolidated Entity deployed $111.26 million (FY21: $62.34 million) of capital on 95 new allied health businesses during the Financial Year as set out in Note 6: Business Combinations included in this Preliminary Financial Report.

Acquisitions completed during the period included the acquisition of the Back In Motion Group ('BIM'), comprising the businesses of the 63 Back In Motion physiotherapy clinics and the shares in BIM IP Pty Ltd, which owned the brands, trademarks and other intellectual property. The Back In Motion clinic acquisitions were settled over the period 5 October 2021 to 23 December 2021.

*2. Capital raising*

To support the cash consideration and related transaction costs payable for Back in Motion, funds were raised through an Entitlement Offer. The Entitlement Offer was to existing shareholders for $60.00 million and was undertaken via a non-renounceable pro-rata entitlement offer at $1.80 per share and completed on 13 October 2021.

*3. Performance rights*

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

*4. Subsequent event – Capital Raising*

On 8 September 2022, the Consolidated Entity announced that it was raising up to $15.0 million via an accelerated non-renounceable pro-rata entitlement offer. The offer comprised an Institutional Entitlement Offer to raise approximately $10 million and a Retail Entitlement Offer to raise approximately $5 million.

On 12 September 2022, the Consolidated Entity announced the successful completion of the Institutional Entitlement Offer and approximately $10 million was receipted by the Consolidated Entity on 16 September 2022.

The Retail Entitlement Offer closes on 30 September 2022 and an amount of up to $5 million is expected to be raised from this offer. The Retail Entitlement Offer is not underwritten.

This capital raising provided additional cash reserves to fund near term acquisition opportunities and provide additional financial flexibility. The capital raising provided the Consolidated Entity with a strengthened balance sheet.

## 2. Impacts from COVID-19 Pandemic

During the financial year, COVID has had a material impact on the financial performance of the Consolidated Entity, which has in turn, impacted earnings and cash reserves. Whilst the impacts of COVID have not been formally quantified in this report, the major impacts can be broken down into the following four categories:

For personal use only

For personal use only

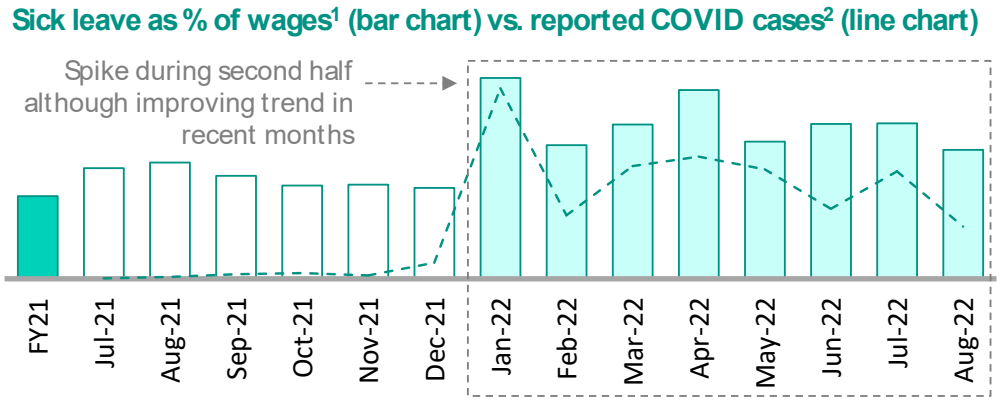
*1. Lockdowns*

As a result of the Consolidated Entity providing several essential health care services to the community, the Directors' have at all times made the decision to continue trading from its allied health clinics during restrictive government lockdowns. During the financial year, it is estimated that lockdowns impacted 6,869 clinic trading days for the Consolidated Entity and minimal changes were made to the trading hours and rosters of the Consolidated Entity's clinics. The impacts on revenue varied by division and the biggest impacts were experienced by the Eyes & Ears division due to the comparatively higher store concentration to NSW and VIC and the lockdowns experienced in these regions during the first quarter of FY22.

*2. Staff absenteeism*

The Consolidated Entity experienced materially higher staff absenteeism due to COVID illness and Government imposed close contact/isolation mandates. The impact from staff absenteeism was significant from December 2021 onwards as close contact and isolation mandates were imposed, and COVID cases escalated with the reopening of state borders. Improvements in staff absenteeism were experienced once the government imposed close contact mandates were redefined to include household members only, followed by further improvements when close contact rules were withdrawn entirely. Chart 1 demonstrates personal leave hours taken as a percentage of total hours incurred over the same corresponding period, compared to total COVID cases per month. Personal leave as a percentage of all hours incurred increased from historical levels of 1.6% to 3.3% in the period 1 January 2022 to 30 June 2022, having an impact on the Consolidated Entity's productivity and patient and customer retention.

*Chart 1: Analysis of Sick Leave*




*Note 1. Sick leave as a % of wages is calculated as total sick leave paid for the month divided by total gross wages paid for the month.*

*Note 2. COVID case numbers. Source: Australian Government Department of Health & Aged Care: https://www.health.gov.au/health-alerts/covid-19/case-numbers-and-statistics#new-and-cumulative-cases.*

*3. Patient and customer appointment cancellations*

During the second half of FY22, patient and customer appointment cancellations increased and the rebooking of those cancelled patients and customers to alternate times also decreased. The Directors consider that the majority of these cancellations can be attributed to the following:

a. The Consolidated Entity staff member absenteeism due to illness and the resulting reduced availability of clinicians to see patients or customers in their absence
b. Patients and customer being ill with COVID
c. Change in consumer behaviour post COVID (i.e. health industries as a whole are more prone to the cancellations of appointments).

*4. Clinician retention rates*

During the financial year, the Consolidated Entity's clinician retention rate dropped to 83.8% (FY21: 95%), below the target retention rate of at least 90.0%. The reasons have been consistent over the last 3 years, however, the Directors consider that the volume of resignation is higher than normal due to team members not being able to make a number of these decisions. or life changes more generally, due to lockdowns or borders being closed.

For personal use only

## 3. Financial Overview - Statutory Performance

The Consolidated Entity's unaudited statutory performance is provided in Table 1 below.

*Table 1: Statutory Financial Performance*

| | FY22 $m's | FY21 $m's | Change $m's | Change % |
|---|---|---|---|---|
| Revenue | 200.3 | 136.9 | 63.3 | 46.3% |
| Other Income | 4.0 | 9.1 | (5.0) | (55.4%) |
| Net profit/(loss) after income tax expense | 0.3 | 9.2 | (8.8) | (96.3%) |
| Non-controlling interest | 3.7 | 4.0 | (0.3) | (8.7%) |
| **NPAT attributable to the owners of Healthia Limited** | **(3.3)** | **5.2** | **(8.5)** | **(164.6%)** |

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

## 4. Financial Overview – Underlying Performance

To assist users, information about the underlying performance of the Consolidated Entity is presented in Table 2 below which excludes the impact of acquisition and integration costs of the 95 (FY21: 61) allied health businesses acquired during the period and is adjusted for other one-off non-recurring income and expenses. The Directors believe that this information is useful for investors and shareholders as it presents the Consolidated Entity's financial performance as if these non-recurring transactions or circumstances had not occurred.

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

*Table 2: Underlying Financial Performance*

| | FY22[2] $m's | FY21[2] $m's | Change $m's | Change % |
|---|---|---|---|---|
| Underlying Revenue[1] | 202.8 | 140.4 | 62.4 | 44.4% |
| Underlying EBITDA[3,4] (removing impact of AASB16) | 24.5 | 21.5 | 3.0 | 14.3% |
| Underlying NPATA[5] | 12.0 | 11.3 | 0.7 | 6.2% |
| Non-controlling interest (NCI) | 3.7 | 3.0 | 0.7 | 22.6% |
| Net post-tax P&L impact of AASB16 adoption[6] | 0.9 | 0.6 | 0.3 | 52.9% |
| **Underlying NPATA attributable to the owners of Healthia Limited (removing impact of AASB16)[5]** | **9.2** | **8.9** | **0.3** | **3.80%** |
| Underlying EBITDA margin (removing impact of AASB16)[3,4] | 12.1% | 15.3% | (3.2%) | (319)bps |
| Underlying NPATA margin (removing impact of AASB16)[5] | 4.5% | 6.3% | (1.8%) | (177)bps |
| Underlying Basic EPS (cents, removing impact of AASB16)[7] | 7.8cps | 11.1cps | (3.3)cps | (29.9%) |
| NCI/Underlying NPATA[8] | 28.5% | 25.3% | 3.30% | 328bps |

*Note 1. For the purposes of underlying performance, the Consolidated Entity has included $0.6M NSW JobSaver revenue subsidies received (FY21: $1.99M of JobKeeper included in underlying performance).*

*Note 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.*

*Note 3. Underlying EBITDA is a non-IFRS measure and equals earnings before interest, tax, depreciation and amortisation. Underlying EBITDA has not been audited.*

*Note 4. Underlying EBITDA has been adjusted for the impacts of AASB16. Lease payments of $17.8M (FY21: $11.5M) have been included to provide users with a like-for-like comparison with PCP.*

*Note 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.*

*Note 6. The net post-tax P&L impact of the new leasing standard, AASB16, has been added back to NPATA to provide users with a like-for-like comparison with PCP. The pre-tax impact of AASB 16 'Leases' in the current period is comprised of the following: occupancy costs decreased by $17.8M (FY21: $11.4M), depreciation expense increased by $16.0M (FY21: $10.3M), and finance costs increased by $3.1M (FY21: $2.0M). The net post-tax P&L impact has not been audited.*

*Note 7. Underlying EPS or earnings per share is calculated as underlying NPATA attributable to the owners of the Consolidated Entity Limited divided by the weighted average number of ordinary shares on issue for the period (FY22: 117.9M, FY21: 79.6M). Underlying EPS has not been audited.*

*Note 8. Non-Controlling Interest divided by Underlying NPATA. NCI/ Underlying NPATA 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 EBITDA to Statutory NPAT*

| | FY22 $m's | FY21 $m's |
|---|---|---|
| **EBITDA(u) (pre-AASB16)** | **24.5** | **21.5** |
| Less: Finance costs (pre-AASB16) | (2.8) | (1.7) |
| Less: Tax expense (underlying) | (5.5) | (5.1) |
| Less: Depreciation (pre-AASB16) | (3.3) | (2.9) |
| Less: NCI (underlying) | (3.7) | (3.0) |
| **NPATA(u) attributable to the owners of Healthia Limited (removing impact of AASB16)** [1] | **9.2** | **8.9** |
| Less: COVID-19 related expenses[2] | (3.4) | (2.1) |
| Less: Acquisition costs[3] | (6.9) | (3.4) |
| Less: Integration costs[4] | (1.5) | (0.8) |
| Less: Restructuring costs and discontinued operations[5] | (2.2) | - |
| Less: Share-based payments expense and associated costs[6] | (1.4) | (1.1) |
| Less: Amortisation[7] | (1.7) | (1.0) |
| Less: Net impact of AASB16[8] | (0.9) | (0.6) |
| Less: NCI attributed to Jobkeeper | - | (1.0) |
| Less: Bad debt expense | - | (0.1) |
| Add: Fair value movements of contingent consideration[9] | 1.6 | - |
| Add: Net income from Jobkeeper | - | 5.6 |
| Net taxation impact | 3.9 | 0.9 |
| **Statutory NPAT attributable to the owners of Healthia Limited** | **(3.3)** | **5.2** |

*Note 1. Underlying NPATA Definition*

*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.*

*Note 2. COVID Related Expenses*

*The Consolidated Entity incurred $3.38 million (FY21: $2.10 million) of costs directly related to COVID. These costs included COVID related sick leave and other costs directly attributable to COVID during the period.*

*Note 3. Acquisition Costs*

*The Consolidated Entity incurred one-off acquisition costs of $6.86 million (FY21: $3.42 million) in relation to the acquisition of the 95 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 ($111.26 million), acquisition costs represent approximately 6.16%, which is in line with prior periods: 5.9% in FY21, 14.8% in FY20 and 13.0% in FY19.*

*Note 4. Integration Costs*

*The Consolidated Entity incurred costs of $1.52 million for the integration of the Back In Motion Group during the period. Integration of the Back In Motion group was more costly than originally anticipated. Integration costs also included redundancies of acquired corporate support personnel, the rationalisation of the Back In Motion support office located in Melbourne and the decommissioning of a number of systems not required moving forward.*

*Note 5. Restructuring Costs and Discontinued Operations*

*Restructuring costs of $2.22 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.*

*Note 6. Share-based payments expense and associated costs*

*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.*

*Note 7. Amortisation*



For personal use only

*Amortisation of customer lists and software intangibles during the current period.*

*Note 8. Net impact of AASB16*

*AASB 16 'Leases' had a significant impact on the current period financial performance. This impact is comprised of the following changes due the adoption of AASB 16: occupancy costs decreased by $17.8 million, depreciation expense increased by $16.0 million, and finance costs increased by $3.1 million.*

*Note 9. Fair Value movements of Contingent Consideration*

*Fair value adjustment associated with the reversal of contingent consideration which is no longer expected to be achieved due to lower than expected trading from COVID restrictions and lockdowns.*

## 6. Financial Overview – Underlying Cash Flow

The Consolidated Entity has consistently delivered strong cash flow conversion. As shown in Table 4 below, the underlying cash flow conversion was 95.9% for the period (FY21: 84.2%).

*Table 4: Underlying Cash Flow*

| | FY22 | FY21 |
|---|---|---|
| | $m's | $m's |
| **EBITDA(u) (pre-AASB16)[1,2]** | **24.5** | **21.5** |
| Less: changes in working capital | (1.0) | (3.4) |
| **Underlying operating cash flow (pre-tax, ungeared)[3]** | **23.5** | **18.1** |
| *Cash Conversion %[4]* | *95.9%* | *84.2%* |
| Financing costs (pre-AASB16)[5] | (3.0) | (1.7) |
| Tax paid | (3.8) | (5.2) |
| **Underlying cash flows (post-tax, geared)[6]** | **16.7** | **11.2** |
| Dividends paid to non-controlling interests | (3.4) | (4.5) |
| Capital expenditure | (4.1) | (2.9) |
| **Underlying free cash flow[7]** | **9.2** | **3.8** |

*Note 1. EBITDA(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.*

*Note 2. Underlying EBITDA excludes the impact from the adoption of AASB16 on lease payments of $17.8M (FY21: $11.4M).*

*Note 3. Underlying operating cash flows (pre-tax, ungeared) reflects statutory operating cash flows less lease payments of $17.8M ($11.4M) and before finance costs and tax and excludes the impact non-recurring income and costs, such as acquisition costs ($6.86M), integration costs ($1.52M), restructuring costs ($2.22M) and COVID related expenses ($3.38M).*

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

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

*Note 6. Underlying cash flows (post tax, geared) reflects statutory operating cash flows less lease payments of $17.8M ($11.4M) and is post finance costs and tax and excludes the impact non-recurring income and costs, such as acquisition costs ($6.86M), integration costs ($1.52M), restructuring costs ($2.22M) and COVID related expenses ($3.38M).*

*Note 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.*

## 7. Financial position and funding

During FY22, the Consolidated Entity's financial position was impacted by the following key events:

- The deployment of $111.26 million of capital on 95 new allied health business acquisitions, resulting in material increases to intangibles, plant and equipment and working capital balances;
- The one-off acquisition costs of $6.86 million and integration costs of $1.52 million associated with the 95 allied health businesses acquired during the period resulting in retained earnings and cash reversed being reduced;
- The one-off restructuring costs of $2.21 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.
- The impacts from trading from COVID-19 government lockdowns, staff absenteeism and patient and customer cancellations resulting in retained earnings and cash reversed being reduced;

For personal use only

- The Entitlement Offer, which was undertaken to fund the acquisition of Back In Motion, in addition to ordinary shares issued as part consideration increased Issued Capital by $66.6 million (after underwriting fees and the costs of capital raising);
- An increase in net debt, predominantly due to the acquisition of Back In Motion Group, by $29.22 million to $73.40 million (FY21: $44.19 million); and
- As a result of the 95 new allied health business acquisitions, as well as through the exercise of property lease options, right-of-use assets and lease liabilities have also increased materially during the period, which has adversely impacted the net working capital position at 30 June 2022.

Note that subsequent to year end (on 8 September 2022), the Consolidated Entity announced that it was raising up to $15.0 million via an accelerated non-renounceable pro-rata entitlement offer. On 12 September 2022, the Consolidated Entity announced the successful completion of the Institutional Entitlement Offer and approximately $10 million was receipted by the Consolidated Entity on 16 September 2022.

The Retail Entitlement Offer closes on 30 September 2022 and an amount of up to $5 million is expected to be raised from this offer. The Retail Entitlement Offer is not underwritten. This capital raising provided additional cash reserves to fund near term acquisition opportunities and provide additional financial flexibility. The capital raising provided the Consolidated Entity with a strengthened balance sheet.

## 8. Risk Management

The Consolidated Entity is committed to identifying and mitigating risks that it faces in relation to its operations, business strategy and financial prospects 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 risk factors within the Consolidated Entity. More information on how the Consolidated Entity identifies and manages risks can be found in The Consolidated Entity's Corporate Governance Statement and under the Corporate Governance section of our website. A non-exhaustive list of material risks and the mitigation strategies implemented by the Consolidated Entity are set out below in Table 5.

Table 5: Material Business Risks

| ***Risk Area*** | ***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.<br>Targeted recall programs in place to re-book patients that have cancelled appointments due to COVID.<br>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.<br>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 Group has developed a Clinician Retention Program which allows clinicians to have an ownership interest in clinics (via Clinic Class Shares).<br>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.<br>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 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 | The Consolidated Entity actively manages its leverage position and maintains a close and transparent relationship with its financiers to ensure ongoing support. |



For personal use only

| | | |
|---|---|---|
| | 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 has a $20.0 million interest rate swap which expires on 30 September 2022. The Consolidated Entity may look to enter into further interest rate swap contracts to hedge against potential exposure to fluctuations in interest rates. |
| *Cyber 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. Cyber security insurance is also in place to mitigate potential financial losses. |

For personal use only

## 9. Definitions

| *Term* | *Definition* |
|---|---|
| *Cash Conversion %* | Calculated as EBITDA (pre-AASB16) divided by operating cash flow before finance, acquisition and tax costs. |
| *Clinic Class Shares* | Clinic Class Shares are non-voting shares which entitle the holder to a share of any dividend declared, calculated on the performance of the clinic in which the Clinic Class Shares are issued. The Clinic Class Shares are designed to create alignment between the interests of clinicians and The Consolidated Entity shareholders. |
| *Underlying EBITDA or 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. EBITDA(u) is presented on a pre-AASB16 basis. Underlying EBITDA has not been audited. |
| *EBITDA(x)* | Expectations for annualised portfolio run-rate at commencement of FY23. Presented pre-AASB16 and assuming no impacts from COVID. |
| *Underlying EPS or EPS(u)* | Underlying basic earnings per share 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 results. |
| *FY21* | Full year period ended 30 June 2021. |
| *FY22* | Full year period ended 30 June 2022. |
| *H1* | Half year period ended 31 December 2021. |
| *H2* | Half year period ended 30 June 2022. |
| *Leverage ratio* | Calculated as (Debt:Adjusted EBITDA) in accordance with bank covenants. Note:<br>- Adjusted EBITDA adjusts for the earnings contribution of recent acquisitions where the businesses have not been held for a 12-month period; and<br>- AASB 16 'Leases' does not apply, and covenants are calculated as they were prior to the adoption of this accounting standard by the Consolidated Entity. |
| *NPAT - attributed to shareholders* | Net Profit After Tax attributable to shareholders (i.e after non-controlling interests). |
| *Underlying NPATA or NPATA(u)* | 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. |
| *Underlying Revenue or Revenue(u)* | Underlying Revenue reflects statutory revenue 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 results and includes adjustments for the impacts from COVID-19 for the Consolidated Entity. Underlying revenue has not been audited. |
| *Same Clinic Growth* | Same Clinic Growth represents revenue growth which has been calculated by excluding any closed businesses and businesses not held during the prior period. |

For personal use only

**Healthia Limited and its Controlled Entities**
**Directors' report**
**30 June 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 year ended 30 June 2022.

## Directors

The following persons were Directors of Healthia Limited during the whole of the financial 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
Colin Jonathan Kangisser
Lisa Michelle Roach (appointed as an Executive Director 21 April 2022)*
Anthony Peter Ganter (resigned as an Executive Director 22 April 2022)*

* Employed by the Consolidated Entity since listing and remains employed at the date of this Report.

## Principal activities

During the financial year the principal activities of the Consolidated Entity consisted 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 financial year were as follows:

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Final dividend for the year ended 30 June 2020 of 2.0 cents per ordinary share | - | 1,261 |
| Interim dividend for the year ended 30 June 2021 of 2.0 cents per ordinary share | - | 1,783 |
| Final dividend for the year ended 30 June 2021 of 2.5 cents per ordinary share | 2,255 | - |
| Interim dividend for the year ended 30 June 2022 of 2.0 cents per ordinary share | 2,537 | - |
| | 4,792 | 3,044 |

As at the date of signing the financial report, the Directors of Healthia Limited have determined not to declare the payment of a final dividend for 2022 taking into account the significant one-off costs incurred during the period which have reduced free cash, in addition to the significant growth opportunities (both organic and inorganic) available to the Consolidated Entity.

The Consolidated Entity plans to resume its stated dividend policy, of distributing between 40% to 60% of underlying NPATA, during the next financial year. 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.

## Review of operations

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $3,329,000 (30 June 2021: profit of $5,157,000).

Please refer to page 8 for the Director's Report and Review of Operations.

For personal use only

## Significant changes in the state of affairs

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

- **Acquisitions**
  The Consolidated Entity deployed $111.26 million (FY21: $62.34 million) of capital on 95 new allied health businesses during the Financial Year as set out in Note 35: Business Combinations included in this Annual Financial Report.

  Acquisitions completed during the period included the acquisition of the Back In Motion Group ('BIM'), comprising the businesses of the 63 Back In Motion physiotherapy clinics and the shares in BIM IP Pty Ltd, which owned the brands, trademarks and other intellectual property. The Back In Motion clinic acquisitions were settled over the period 5 October 2021 to 23 December 2021.

- **Capital raising**
  To support the cash consideration and related transaction costs payable for Back in Motion, funds were raised through an Entitlement Offer. The Entitlement Offer was to existing shareholders for $60.00 million and was undertaken via a non-renounceable pro-rata entitlement offer at $1.80 per share and completed on 13 October 2021.

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

## Matters subsequent to the end of the financial year

### *Capital Raising*

On 8 September 2022, the Consolidated Entity announced that it was raising up to $15.0 million via an accelerated non-renounceable pro-rata entitlement offer. The offer comprised an Institutional Entitlement Offer to raise approximately $10 million and a Retail Entitlement Offer to raise approximately $5 million.

On 12 September 2022, the Consolidated Entity announced the successful completion of the Institutional Entitlement Offer and approximately $10 million was receipted by the Consolidated Entity on 16 September 2022.

The Retail Entitlement Offer closes on 30 September 2022 and an amount of up to $5 million is expected to be raised from this offer. The Retail Entitlement Offer is not underwritten.

This capital raising will provide additional cash reserves to fund near term acquisition opportunities and provide additional financial flexibility.

### *Acquisitions*

On 8 September 2022, the Consolidated Entity announced that it had entered into binding agreements to acquire the following businesses (together, the 'Acquisitions'), comprising:

- Sunshine Coast Hand Therapy, a hand therapy business located on the Sunshine Coast, Queensland (2 clinics);
- Watsonia Physiotherapy, a physiotherapy business located in Watsonia, Victoria (1 clinic); and
- Corio Bay Health Group, 9 allied health businesses located throughout south-west and south-east Melbourne and Geelong, Victoria.

Settlement has been reached for Sunshine Coast Hand Therapy and it is expected that all conditions precedent will be satisfied and settlement reached for each of Watsonia Physiotherapy and Corio Bay Health Group on or before 30 October 2022.

The Acquisitions are expected to contribute the following annualised earnings[1] to Healthia:

| | $'000 |
|---|---|
| Revenue(u)[1] | 8,880.00 |
| EBITDA(u)[2][3] | 1,870.00 |

For personal use only

Total consideration for the Acquisitions (subject to completion adjustments[4]) is as follows:

| | $'000 |
|---|---|
| Upfront cash consideration | 6,610.00 |
| Issue of Clinic Class Shares[5] | 1,680.00 |
| Total upfront consideration | 8,290.00 |

In addition to the upfront consideration, contingent consideration[6] may become payable as cash consideration, subject to the achievement of pre-defined conditions.

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

(2) EBITDA(u) means underlying earnings before interest, tax, depreciation and amortisation, removing the impacts of AASB16. EBITDA(u) reflects EBITDA as adjusted to reflect the Directors' assessment of the result for the ongoing business activities, in accordance with AICD/Finsia principles. EBITDA(u) has not been audited.

(3) EBITDA(u) includes the approximate 20% economic interest continued to be owned by Clinic Class Shareholders.

(4) Completion adjustments are agreed on a deal-by-deal basis and can include adjustments for the value of inventory held at completion and the value of employee liabilities transferring to Healthia as the acquirer.

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

(6) Contingent consideration is based on future performance of the business with the maximum amount payable in the future $3.76 million.

No other matter or circumstance has arisen since 30 June 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.

## Environmental regulation

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

## Information on Directors

| | |
|---|---|
| Name: | **Dr Glen Frank Richards** |
| Title: | Chairman and Non-Executive Director |
| Appointed: | 10 May 2018 |
| Experience and expertise: | Glen is a veterinary surgeon and the founder and former CEO of Greencross Limited, Australia's largest pet care company. Glen has spent over 20 years building a multi-million-dollar integrated pet care empire, which now operates more than 180 veterinary hospitals and 230 pet care retail stores in Australia and Animates in New Zealand. |
| Other current directorships: | Chairman and Non-Executive Director of People Infrastructure Ltd (ASX code: PPE). |
| Former directorships (last 3 years): | Non-Executive Director of Regeneus Ltd (ASX code: RGS) (24 February 2015 to 3 June 2020)<br>Non-Executive Director of Greencross Ltd (ASX code: GXL) (26 April 2007 to 27 February 2019) |
| Special responsibilities: | Member of the Audit and Risk Committee and the Nomination and Remuneration Committee. |
| Interests in shares: | 7,966,777 ordinary shares held at 30 September 2022 |
| Interests in rights: | None |

For personal use only

| | |
|---|---|
| Name: | **Paul David Wilson** |
| Title: | Independent Non-Executive Director |
| Appointed: | 10 May 2018 |
| Experience and expertise: | Paul was a co-founder, director and shareholder of Mammoth Pet Holdings Pty Ltd (Pet Barn) prior to the merger with Greencross Limited. Prior to founding Mammoth, Paul was the Chief Operating Officer of ShopFast, Australia's largest online grocery retailer (sold to Coles in 2003). Paul has worked in the retail industry for 26 years with roles including General Manager of Caltex/Boral JV, Vitalgas. |
| Other current directorships: | None |
| Former directorships (last 3 years): | Non-executive director of Greencross Ltd (ASX code: GXL) (5 February 2014 to 27 February 2019) |
| Special responsibilities: | Chairman of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee. |
| Interests in shares: | 1,857,727 ordinary shares held at 30 September 2022 |
| Interests in rights: | None |

| | |
|---|---|
| Name: | **Lisa Jane Dalton** |
| Title: | Independent Non-Executive Director |
| Appointed: | 10 May 2018 |
| Experience and expertise: | Lisa is an experienced director, senior executive and company secretary with expertise in the healthcare, medical, utilities, manufacturing, childcare, energy, mining and construction sectors.<br>She has experience in leading teams responsible for strategy, governance, risk management, human resources, communication, stakeholder relations and program management. In recent times, Lisa has participated in 4 successful ASX listings. Lisa has strong practical experience in fit for purpose governance, risk management, strategic planning and motivating teams to find solutions to complex issues. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee. |
| Interests in shares: | 46,728 ordinary shares held at 30 September 2022 |
| Interests in rights: | None |

| | |
|---|---|
| Name: | **Wesley Coote** |
| Title: | Group Managing Director and Group Chief Executive Officer |
| Appointed: | 29 April 2019 |
| Experience and expertise: | Wesley is the former Chief Financial Officer and Company Secretary of Greencross Ltd. Prior to Greencross, Wesley worked in Chartered Accounting where he provided business advice within the health sector, property sector and financial services industry. Wesley holds a Bachelor of Commerce from the University of Queensland and is a member of the Institute of Chartered Accountants, as well as a member of the Governance Institute of Australia. Wesley joined the Group in December 2015 as Chief Financial Officer and Company Secretary and was appointed Group Managing Director and Chief Executive Officer on 29 April 2019. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Interests in shares: | 1,722,326 ordinary shares held at 30 September 2022 |
| Interests in rights: | 552,463 performance rights held at 30 September 2022 |

For personal use only

| | |
|---|---|
| Name: | **Darren Lindsey Stewart** |
| Title: | Executive Director |
| Appointed: | 10 May 2018 |
| Experience and expertise: | Darren is a registered podiatrist and in 2004 co-founded the My FootDr Business with Greg Dower. The two had grown the group to 13 clinics by December 2015. In 2015, Darren and Greg saw the opportunity to grow their network of clinics through the acquisition of well-established podiatry clinics. Before merging with Balance Podiatry Group in December 2016, they had grown the network to 19 clinics. Today, Darren provides strategic leadership and direction to the Feet & Ankles business division. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Interests in shares: | 8,021,333 ordinary shares held at 30 September 2022 |
| Interests in rights: | None |

| | |
|---|---|
| Name: | **Colin Jonathan Kangisser** |
| Title: | Executive Director and Chief Executive Officer, Eyes & Ears Division |
| Appointed: | 30 November 2020 |
| Experience and expertise: | Colin is a registered optometrist with over 30 years optical experience. He founded and grew multiple retail chains including Optic Express and Kays Optical prior to holding executive leadership positions with the OPSM Group and founding TOC in 2005. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Interests in shares: | 5,134,628 ordinary shares held at 30 September 2022 |
| Interests in rights: | 45,000 performance rights held at 30 September 2022 |

| | |
|---|---|
| Name: | **Lisa Michelle Roach** |
| Title: | Executive Director and Chief Operating and People Officer, Bodies & Minds and Feet & Ankles Division |
| Appointed: | 22 April 2022 |
| Experience and expertise: | Lisa was a founding partner in several of the Allsports Clinics and has over 29 years' experience in the allied health industry. Lisa was also a qualified and practicing physiotherapist for 10 years. Lisa has held an executive role and has been heavily involved and influential within Healthia since its IPO. Her current role is Chief Operations and People Officer for Healthia's Bodies and Minds, Feet and Ankles divisions. Lisa holds a Bachelor of Physiotherapy, is a member of the Institute of Company Directors and has held board positions on Healthia's subsidiary since IPO. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Interests in shares: | 895,819 ordinary shares held at 30 September 2022 |
| Interests in rights: | 264,840 performance rights held at 30 September 2022 |

| | |
|---|---|
| Name: | **Anthony (Tony) Peter Ganter** |
| Title: | Director and Group Chief Business Development & Strategy Officer |
| Appointed/Resigned: | 10 May 2018/22 April 2022 |
| Experience and expertise: | Tony has over 25 years' experience in the management and operation of private physiotherapy and sports medicine clinics and high performance medical teams in professional sport. He possesses knowledge of the professional, administrative and management skills required to operate physiotherapy and sports medicine centres. Tony remains active as a treating physiotherapist which enables him to keep in touch with the challenges of both professional health care and clinic ownership. He has a strong commitment to the ongoing creation of varied career journeys for physiotherapists. |
| Other current directorships: | Not applicable as no longer a director |
| Former directorships (last 3 years): | Not applicable as no longer a director |
| Interests in shares: | Not applicable as no longer a director |
| Interests in rights: | Not applicable as no longer a director |

'Other current directorships' quoted above are current directorships for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

For personal use only

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

## Company secretaries

Christopher Banks - Chris is the Chief Financial Officer and Joint Company Secretary. Chris joined the Healthia Group (previously My FootDr) in July 2017 as Chief Commercial Officer and was appointed Chief Financial Officer and Company Secretary on 29 April 2019.

Julia Murfitt - Julia was appointed Joint Company Secretary on 23 February 2022. Julia is a qualified and practicing solicitor with over 13 years' experience across Australia and New Zealand. Julia joined Healthia as General Counsel in August 2020 and has been instrumental in Healthia's growth since this time.

## Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

| | Full Board | | Nomination and Remuneration Committee | | Audit and Risk Committee | |
|---|---|---|---|---|---|---|
| | Attended | Held | Attended | Held | Attended | Held |
| Dr Glen Frank Richards | 14 | 14 | 1 | 1 | 5 | 5 |
| Paul David Wilson | 14 | 14 | 1 | 1 | 5 | 5 |
| Lisa Jane Dalton | 14 | 14 | 1 | 1 | 5 | 5 |
| Wesley James Coote | 14 | 14 | 1 | 1 | 5 | 5 |
| Darren Lindsey Stewart | 14 | 14 | - | - | - | - |
| Colin Jonathan Kangisser | 14 | 14 | - | - | - | - |
| Anthony Peter Ganter | 9 | 10 | - | - | - | - |
| Lisa Michelle Roach | 5 | 5 | - | - | - | - |

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

## Remuneration report (audited)

The Board of Directors of the Consolidated Entity present the Remuneration Report (the **Report**) for the reporting period of 1 July 2021 to 30 June 2022. The Report forms part of the Directors' Report and has been prepared and audited in accordance with the *Corporations Act 2001*.

The Report details the key management personnel remuneration arrangements for the Consolidated Entity. Key management personnel (**KMP**) are those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, including all directors.

For personal use only

The KMP of the Consolidated Entity covered in this report are:

| Name | Position held | Appointed |
|---|---|---|
| *Non-Executive Directors:* | | |
| Glen Richards | Chairman and Non-Executive Director | 10 May 2018 |
| Paul Wilson | Non-Executive Director | 10 May 2018 |
| Lisa Dalton | Non-Executive Director | 10 May 2018 |
| *Executive Directors:* | | |
| Wesley Coote | Group Managing Director and Group Chief Executive Officer | 10 May 2018 |
| Darren Stewart | Executive Director | 10 May 2018 |
| Colin Kangisser | Executive Director and Chief Executive Officer, Eyes & Ears Division | 20 November 2020 |
| Lisa Roach | Executive Director and Chief Operations and People Officer, Bodies & Minds and Feet & Ankles Divisions | 21 April 2022 (Executive Director)<br>11 September 2018 (Executive) |
| *Other KMP:* | | |
| Anthony Ganter | Group Chief Business Development and Strategy Officer | 10 May 2018 (Executive Director)<br>11 September 2018 (Executive) |
| Christopher Banks | Chief Financial Officer and Company Secretary | 10 May 2018 |
| Katherine Baker | Chief Executive Officer, Bodies & Minds and Feet & Ankles Divisions | 1 December 2020 |

The Board has determined that Dean Hartley is no longer a KMP in the current financial period.

### *Role of the Nomination and Remuneration Committee*

The Nomination and Remuneration Committee (the **Committee**) assists and makes recommendations to the Board in relation to the remuneration and incentive framework for its directors and KMP. The Committee's responsibilities include, among other things:

- Reviewing and advising the Board on the process for overseeing performance accountability and effective monitoring of KMP including
  setting and evaluating performance against goals and targets;
- Reviewing and advising the Board on the Consolidated Entity's remuneration structure including short term incentive (STI) and long term incentive (LTI) arrangements and participation;
- Reviewing the incentives and behaviours arising from the Consolidated Entity's remuneration structure;
- Reviewing the succession plans for the Board, Group CEO and other senior executives;
- Assisting the Board by co-ordinating a Board performance review annually and to ensure that this review includes an assessment of a Board skills matrix which sets out the skills, knowledge, experience and diversity that the Board currently has or is looking to achieve;
- Assisting the Board in adopting measurable objectives for having diversity throughout the Consolidated Entity and assessing progress towards achieving those objectives.

Under its charter, the Nomination and Remuneration Committee must consist of at least three members, a majority of whom, including the Committee Chair, are independent non-executive directors. A copy of the charter of the Committee is available on the Consolidated Entity's website in the Corporate Governance section. During FY2022, the members of the Committee were:

- Lisa Dalton – Independent Non-Executive Director (Chair)
- Dr Glen Richards – Non-Executive Director
- Paul Wilson – Independent Non-Executive Director

The Nomination and Remuneration Committee may from time to time engage external remuneration consultants or access benchmarking information to ensure the KMP remuneration framework is market competitive and complementary to the remuneration strategy of the Consolidated Entity.

For personal use only

## *Remuneration overview and strategy*

The performance of the Consolidated Entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The objective of the Consolidated Entity's executive remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for all stakeholders, and it is considered to conform to the market best practice for the delivery of reward.

The Board ensures that executive rewards satisfy the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The reward framework is designed to align executive reward to stakeholder, including shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

The Consolidated Entity utilises both short and long term incentives in addition to fixed remuneration to incentivise executives and reward performance. Fixed remuneration reflects executives' qualifications, capabilities and experience and is aimed to attract and retain high performing and high quality experienced executives to ensure shareholder interests are managed in a responsible and effective manner. The STI's are to award achievement of specific and challenging targets and key performance indicators during the financial year.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director remuneration is separate.

*Consolidated entity performance and link to remuneration*
Remuneration for certain individuals is directly linked to the performance of the Consolidated Entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are linked to job specific key performance indicators and at the discretion of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is of the opinion that the continued financial performance of the Consolidated Entity can be attributed in part to the adoption of performance based compensation and is satisfied that this will continue to increase shareholder wealth if maintained over the coming years.

*Performance rights plan*
On 19 November 2021, following shareholder approval at the 2021 Annual General Meeting (**AGM**), 268,500 unlisted performance rights were granted to Executive Directors (187,500 - Wesley Coote, 36,000 - Anthony Ganter and 45,000 - Colin Kangisser), with a nil grant and exercise price. The performance rights will vest on 18 November 2024 (subject to satisfaction of the relevant vesting conditions) and expire on 31 December 2024. The vesting conditions include a number of performance and service conditions.

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

Refer to 'Share-based compensation' section of this remuneration report for the vesting conditions of the performance rights.

For personal use only

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

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

*Use of remuneration consultants*
During the financial year ended 30 June 2022, the Consolidated Entity did not engage a remuneration consultant to review its existing remuneration policies.

*Voting and comments made at the Company's 2021 Annual General Meeting ('AGM')*
At the 17 November 2021 AGM, 99.64% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

***Details of remuneration***
Details of the remuneration of KMP of the Consolidated Entity are set out in the following tables.

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|
| **2022** | Cash salary and fees $ | Cash bonus $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Equity-settled $ | Total $ |
| *Non-Executive Directors:* | | | | | | | |
| Glen Richards | 100,000 | - | - | - | - | - | 100,000 |
| Paul Wilson | 60,000 | - | - | - | - | - | 60,000 |
| Lisa Dalton | 60,000 | - | - | - | - | - | 60,000 |
| *Executive Directors:* | | | | | | | |
| Wesley Coote | 345,000 | - | - | 27,500 | 6,753 | 137,037 | 516,290 |
| Darren Stewart | 122,370 | - | - | 12,153 | 730 | - | 135,253 |
| Colin Kangisser | 295,005 | - | - | 26,393 | 5,840 | 12,420 | 339,658 |
| Lisa Roach | 213,077 | 34,650 | - | 19,269 | 4,380 | 56,290 | 327,666 |
| Anthony Ganter | 202,740 | - | - | 27,860 | 3,979 | 58,696 | 293,275 |
| *Other KMP:* | | | | | | | |
| Christopher Banks | 220,769 | - | - | 20,077 | 4,882 | 55,075 | 300,803 |
| Katherine Baker | 232,500 | 43,312 | - | 27,250 | 4,882 | 61,043 | 368,987 |
| | 1,851,461 | 77,962 | - | 160,502 | 31,446 | 380,561 | 2,501,932 |

Details of incentives (LTIs) are disclosed in the Additional information section within this remuneration report.

Other than as set out in the above table, no other STI's were paid to KMP during FY22 as a result of them not meeting the target performance criteria.

The Board has determined that Dean Hartley is no longer a KMP in the current financial period.

No LTIs have vested in the year.

For personal use only

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|
| **2021** | Cash salary and fees $ | Cash bonus $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Equity-settled $ | Total $ |
| *Non-Executive Directors:* | | | | | | | |
| Glen Richards | 100,000 | - | - | - | - | - | 100,000 |
| Paul Wilson | 60,000 | - | - | - | - | - | 60,000 |
| Lisa Dalton | 57,692 | - | - | - | - | - | 57,692 |
| *Executive Directors:* | | | | | | | |
| Wesley Coote | 306,154 | - | - | 31,103 | 4,583 | 58,562 | 400,402 |
| Darren Stewart | 274,497 | - | - | 27,344 | 1,643 | - | 303,484 |
| Anthony Ganter | 193,731 | - | - | 25,088 | 3,422 | 36,265 | 258,506 |
| Colin Kangisser* | 172,083 | - | - | 14,583 | 2,385 | - | 189,051 |
| *Other KMP:* | | | | | | | |
| Christopher Banks** | 148,462 | - | - | 16,954 | 3,285 | 125,173 | 293,874 |
| Lisa Roach | 183,076 | - | - | 20,388 | 3,285 | 29,148 | 235,897 |
| Dean Hartley | 210,962 | - | - | 22,891 | 4,106 | 23,534 | 261,493 |
| Katherine Baker*** | 101,923 | 38,188 | - | 13,926 | 2,920 | 6,701 | 163,658 |
| | 1,808,580 | 38,188 | - | 172,277 | 25,629 | 279,383 | 2,324,057 |

* Remuneration is from the date of appointment as a director to 30 June 2021.

** $100,000 of the $125,173 equity-settled remuneration related to the write-off of a loan owing for a loan funded share plan. Of the $200,000 loan owing, $100,000 was repaid and $100,000 of the balance was written off during the period.

*** Remuneration is from 1 December 2020 to 30 June 2021, being the period Katherine was classified as a KMP (previously employed in another role with the Consolidated Entity). The $38,188 cash bonus related to a sign-on bonus for the new position accepted during the period.

Other than the sign-on bonus noted, the Directors have resolved not to award short-term bonuses or other short-term incentives for the prior period.

The proportion of remuneration linked to performance and the fixed proportion was as follows:

| | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---|---|---|---|---|---|---|
| Name | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| *Non-Executive Directors:* | | | | | | |
| Glen Richards | 100.0% | 100.0% | - | - | - | - |
| Paul Wilson | 100.0% | 100.0% | - | - | - | - |
| Lisa Dalton | 100.0% | 100.0% | - | - | - | - |
| *Executive Directors:* | | | | | | |
| Wesley Coote | 73.5% | 85.4% | - | - | 26.5% | 14.6% |
| Darren Stewart | 100.0% | 100.0% | - | - | - | - |
| Colin Kangisser | 96.3% | 100.0% | - | - | 3.7% | - |
| Lisa Roach | 72.2% | 87.6% | 10.8% | - | 17.0% | 12.4% |
| Anthony Ganter | 80.0% | 86.0% | - | - | 20.0% | 14.0% |
| *Other KMP:* | | | | | | |
| Chris Banks | 81.7% | 57.4% | - | - | 18.3% | 42.6% |
| Katherine Baker | 71.8% | 72.4% | 11.7% | 23.5% | 16.5% | 4.1% |

For personal use only

The proportion of the cash bonus paid/payable or forfeited was as follows:

| Name | Cash bonus paid/payable 2022 | Cash bonus paid/payable 2021 | Cash bonus forfeited 2022 | Cash bonus forfeited 2021 |
|---|---|---|---|---|
| *Executive Directors:* | | | | |
| Wesley Coote | - | - | 100% | 100% |
| Colin Kangisser | - | - | 100% | 100% |
| Lisa Roach | 42% | - | 58% | 100% |
| Anthony Ganter | - | - | 100% | 100% |
| *Other KMP:* | | | | |
| Christopher Banks | - | - | 100% | 100% |
| Katherine Baker | 53% | 50% | 47% | 50% |

*Executive remuneration overview*
The Consolidated Entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components:

- Base pay and non-monetary benefits
- Short-term performance incentives
- Share-based payments
- Other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Consolidated Entity and comparable market remunerations.

Executives receive their fixed remuneration in the form of cash.

*Short-Term Incentives*
The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of Executives. STI payments are granted to Executives based on specific and challenging annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management. Performance hurdles are linked to key performance indicators of the Executive personnel, key non-financial targets aligned to Healthia's strategic objectives and Board approval.
Executives are eligible for an annual STIs with an opportunity to earn up to 35% of their annual base fixed remuneration.
Generally, these arrangements are terminable by the Company or the Executives with 6 months' notice.

*Long Term Incentives*
The long-term incentives ('LTI') include long service leave and share-based payments (Performance Rights). Performance Rights are awarded to executives over a period of three years based on long-term incentive measures. These include increases in Total Shareholders Return and Earnings Per Share of the Consolidated Entity. The Nomination and Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for Executives during the year ended 2022.

For personal use only

*Contractual arrangements with executive KMPs*

Group Chief Executive Officer

| | |
|---|---|
| Fixed remuneration | $445,000 (effective from 1 October 2022) |
| Contract duration | Ongoing |
| Notice by the individual / company | 6 months |
| Termination of employment (with cause) or by the individual | STI is not awarded and all unvested LTI will lapse |
| Termination of employment (without cause) | Entitlement to pro-rata STI for the year, subject to meeting specified performance criteria during the relevant period. All unvested LTI will lapse, unless the Board determines otherwise in its absolute discretion. |
| Restrictive covenants | Post-employment restraint for 18 months preventing the Group CEO from being employed or involved in a competing business. |

Other Senior Executives

| | |
|---|---|
| Fixed remuneration | Range between $241,000 and $329,400 (effective from 1 July 2022) |
| Contract duration | Ongoing contract |
| Notice by the individual / company | 6 months |
| Termination of employment (with cause) or by the individual | STI is not awarded and all unvested LTI will lapse |
| Termination of employment (without cause) | All unvested LTI will lapse, unless the Board determines otherwise in its absolute discretion. |
| Restrictive covenants | Post-employment restraints between 12 and 18 months |

*Non-executive director arrangements*

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairperson's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market.

The Chairperson is not present at any discussions relating to the determination of his own remuneration. Non-Executive Directors do not receive share options or other performance based pay or incentives. Directors do not receive additional fees for participating in or chairing committees.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 4 July 2018, where the shareholders approved a maximum annual aggregate remuneration of $500,000 per annum.

All non-executive directors enter into a service agreement with the Consolidated Entity in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

The current base fees, detailed below, were reviewed with effect from 1 September 2022. Directors may also be reimbursed for all travel and other expenses they incur in connection with the Consolidated Entity.

| Non-executive directors | Per annum director fees (from 1 September 2022) |
|---|---|
| Non-executive directors | $70,000 (FY22: $50,000) |
| Additional allowances: | |
| Chair of Board | $60,000 (FY22: $50,000) |
| Remuneration & Nomination Committee Chair | $10,000 (FY22: $10,000) |
| Audit & Risk Committee Chair | $10,000 (FY22: $10,000) |

For personal use only

## *Share-based compensation*

*Unlisted performance rights*
On 19 November 2021, following shareholder approval at the 2021 Annual General Meeting, 268,500 unlisted performance rights were granted to Directors (187,500 - Wesley Coote, 36,000 - Anthony Ganter and 45,000 to Colin Kangisser), with a nil grant and exercise price. The performance rights will vest on 18 November 2024 (subject to satisfaction of the relevant vesting conditions) and expire on 31 December 2024. The vesting conditions include a number of performance and service conditions.

| | **2021 Grant** |
|---|---|
| Grant dates: | 19 November 2021 |
| Grant price: | $nil |
| Exercise price: | $nil |
| Vesting date: | 17 November 2024 |
| Expiry date: | 31 December 2024 |
| Restriction on shares issued on exercise: | Can only be traded in accordance with Securities Trading Policy and insider trading laws |

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

*Vesting conditions performance rights granted 19 November 2021 for all Key Management Personnel*

| | |
|---|---|
| Service condition | The performance rights will be exercisable upon satisfaction of the Service condition, being continuous employment with the Company from Grant Date until the Vesting Date. |
| EPS Growth condition | The Company's compounding annual growth in underlying Earnings Per Share (underlying EPS) for the period from 1 July 2021 to 30 June 2024 greater than 10% per annum.<br><br>The underlying EPS results to be used will be the Basic EPS recorded in the Company's audited financial statements in the relevant years, adjusted for one-off and non-recurring items and the amortisation of customer lists, as determined by the Board in its discretion.<br><br>50% of the Performance Rights will be exercisable if this condition is achieved. |
| Total Shareholder Return condition | Total Shareholder Return ('TSR') to exceed 150% for the period from 1 July 2021 to 30 June 2024, with TSR calculated as follows:<br><br>TSR = (Price End - Price Begin + Dividends)/Price Begin<br><br>Where:<br>Price Begin = share price at 1 July 2021;<br>Price End = share price at 30 June 2024; and<br>Dividends = total dividends paid per share during the period from 1 July 2021 to 30 June 2024.<br><br>50% of the performance rights will be exercisable if this condition is achieved. |

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

Where shares are issued upon the vesting and exercise of the performance rights (within the periods detailed above), those shares will rank equally with existing ordinary shares of Healthia Limited.

To participate in a dividend, the ordinary shares must be issued prior to the record date for the dividend.

For personal use only

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other KMP in this financial year or future reporting years are as follows:

| Name | Number of rights granted | Grant date | Vesting date and exercisable date | Expiry date | Fair value per right at grant date |
|---|---|---|---|---|---|
| Wesley Coote | 187,500 | 19-Nov-21 | 18-Nov-24 | 31-Dec-24 | $0.420 |
| Anthony Ganter | 36,000 | 19-Nov-21 | 18-Nov-24 | 31-Dec-24 | $0.420 |
| Colin Kangisser | 45,000 | 19-Nov-21 | 18-Nov-24 | 31-Dec-24 | $0.420 |
| Lisa Roach | 66,000 | 19-Nov-21 | 18-Nov-24 | 31-Dec-24 | $0.420 |
| Chris Banks | 76,000 | 19-Nov-21 | 18-Nov-24 | 31-Dec-24 | $0.420 |
| Katherine Baker | 182,500 | 19-Nov-21 | 18-Nov-24 | 31-Dec-24 | $0.420 |
| Wesley Coote | 96,250 | 1-Dec-20 | 31-Aug-23 | 31-Oct-23 | $0.270 |
| Wesley Coote | 96,250 | 1-Dec-20 | 31-Aug-23 | 31-Oct-23 | $1.150 |
| Anthony Ganter | 45,000 | 1-Dec-20 | 31-Aug-23 | 31-Oct-23 | $0.270 |
| Anthony Ganter | 45,000 | 1-Dec-20 | 31-Aug-23 | 31-Oct-23 | $1.150 |
| Chris Banks | 45,000 | 30-Oct-20 | 31-Aug-23 | 31-Oct-23 | $0.140 |
| Chris Banks | 45,000 | 30-Oct-20 | 31-Aug-23 | 31-Oct-23 | $0.910 |
| Lisa Roach | 45,000 | 30-Oct-20 | 31-Aug-23 | 31-Oct-23 | $0.140 |
| Lisa Roach | 45,000 | 30-Oct-20 | 31-Aug-23 | 31-Oct-23 | $0.910 |
| Katherine Baker | 27,125 | 30-Oct-20 | 31-Aug-23 | 31-Oct-23 | $0.140 |
| Katherine Baker | 27,125 | 30-Oct-20 | 31-Aug-23 | 31-Oct-23 | $0.910 |
| Wesley Coote | 86,232 | 27-Nov-19 | 31-Aug-22 | 31-Oct-22 | $0.920 |
| Wesley Coote | 86,231 | 27-Nov-19 | 31-Aug-22 | 31-Oct-22 | $0.050 |
| Anthony Ganter | 64,057 | 27-Nov-19 | 31-Aug-22 | 31-Oct-22 | $0.920 |
| Anthony Ganter | 64,058 | 27-Nov-19 | 31-Aug-22 | 31-Oct-22 | $0.050 |
| Chris Banks | 43,800 | 27-Nov-19 | 31-Aug-22 | 31-Oct-22 | $0.920 |
| Chris Banks | 43,800 | 27-Nov-19 | 31-Aug-22 | 31-Oct-22 | $0.050 |
| Lisa Roach | 54,420 | 27-Nov-19 | 31-Aug-22 | 31-Oct-22 | $0.920 |
| Lisa Roach | 54,420 | 27-Nov-19 | 31-Aug-22 | 31-Oct-22 | $0.050 |

Performance rights granted carry no dividend or voting rights.

### *Additional disclosures relating to KMP*

*Shareholding*
The number of shares in the Company held during the financial year by each Director and other KMP of the Consolidated Entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| Glen Richards | 6,306,572 | - | 1,150,000 | - | 7,456,572 |
| Paul Wilson | 1,363,416 | - | 374,666 | - | 1,738,082 |
| Lisa Dalton | 34,335 | - | 8,932 | - | 43,267 |
| Wesley Coote | 1,633,587 | - | 47,923 | - | 1,681,510 |
| Darren Stewart | 8,028,011 | - | - | (27,087) | 8,000,924 |
| Colin Kangisser | 5,066,600 | - | - | - | 5,066,600 |
| Lisa Roach | 779,408 | - | 75,611 | - | 855,019 |
| Anthony Ganter | 971,502 | - | 4,113 | (37,393) | 938,222 |
| Chris Banks | 192,270 | - | - | - | 192,270 |
| Katherine Baker | 5,873 | - | 6,984 | - | 12,857 |
| | 24,381,574 | - | 1,668,229 | (64,480) | 25,985,323 |

For personal use only

*Performance rights holding*
The number of performance rights over ordinary shares in the Company held during the financial year by each Director and other members of KMP of the Consolidated Entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Vested | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Performance rights over ordinary shares* | | | | | |
| Glen Richards | - | - | - | - | - |
| Paul Wilson | - | - | - | - | - |
| Lisa Dalton | - | - | - | - | - |
| Wesley Coote | 364,963 | 187,500 | - | - | 552,463 |
| Darren Stewart | - | - | - | - | - |
| Colin Kangisser | - | 45,000 | - | - | 45,000 |
| Lisa Roach | 198,840 | 66,000 | - | - | 264,840 |
| Anthony Ganter | 218,115 | 36,000 | - | - | 254,115 |
| Chris Banks | 177,600 | 76,000 | - | - | 253,600 |
| Katherine Baker | 54,250 | 182,500 | - | - | 236,750 |
| | 1,013,768 | 593,000 | - | - | 1,606,768 |

| | Maximum value yet to vest* $ |
|---|---|
| *Performance rights over ordinary shares* | |
| Wesley Coote | 154,988 |
| Colin Kangisser | 24,474 |
| Lisa Roach | 53,601 |
| Anthony Ganter | 44,365 |
| Chris Banks | 59,040 |
| Katherine Baker | 109,928 |
| | 446,396 |

** The maximum value of the deferred shares yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed.*

*Loans to KMP and their related parties*
There were no loans to KMP and their related parties at 30 June 2022.

*Other transactions with KMP and their related parties*
The following transactions occurred with related parties:

| | Consolidated 2022 $ |
|---|---|
| Rent and outgoings paid to entities controlled by Darren Stewart | 311,652 |
| Rent and outgoings paid to entities controlled by Anthony Ganter | 304,127 |
| Rent and outgoings paid to entities controlled by Lisa Roach | 235,907 |
| Payment for bookkeeping services to an entity associated with Wesley Coote | 380,470 |
| Payment for orthotics and prosthetics to an entity associated with Darren Stewart | 72,556 |
| Deferred cash payment for the acquisition of businesses associated with Colin Kangisser | 1,065,044 |
| | 2,369,756 |

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

***This concludes the remuneration report, which has been audited.***

For personal use only

## Shares under performance rights

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

| Grant date | Expiry date | Number under rights |
|---|---|---|
| 27 November 2019 | 31 October 2022 | 2,543,358 |
| 30 October 2020 | 31 October 2023 | 378,500 |
| 1 December 2020 | 31 October 2023 | 282,500 |
| 19 November 2021 | 31 December 2024 | 1,203,500 |
| | | 4,407,858 |

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

## Shares issued on the exercise of performance rights

There were no ordinary shares of Healthia Limited issued on the exercise of performance rights during the year ended 30 June 2022 and up to the date of this report.

## Indemnity and insurance of officers

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

Post the end of the financial year, the Consolidated Entity paid a premium in respect of a contract to insure the Directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 31 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## Officers of the Consolidated Entity who are former partners of BDO Audit Pty Ltd

There are no officers of the Consolidated Entity who are former partners of BDO Audit Pty Ltd.

## 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.

For personal use only

## 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.

## Auditor

BDO Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Dr Glen Frank Richards
Director

30 September 2022

For personal use only

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

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

For personal use only

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

As lead auditor of Healthia Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

**T R Mann**
Director

**BDO Audit Pty Ltd**

Brisbane, 30 September 2022

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

**Healthia Limited and its Controlled Entities**
**Consolidated statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2022**

| | Note | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|---|
| **Revenue from contracts with customers** | 5 | 200,264 | 136,946 |
| Other income | 6 | 2,520 | 9,080 |
| Fair value movement of contingent consideration | 29 | 1,550 | - |
| **Expenses** | | | |
| Changes in inventories | | 2,527 | 4,279 |
| Raw materials and consumables used | | (20,785) | (18,194) |
| Employee benefits expense | | (129,189) | (82,833) |
| Occupancy costs | | (4,758) | (3,402) |
| Marketing costs | | (3,218) | (1,837) |
| Other expenses | | (11,335) | (7,356) |
| Impairment of receivables | | (268) | (271) |
| Acquisition costs | | (5,219) | (3,415) |
| Integration and restructuring costs | | (2,183) | (793) |
| Share-based payments expense | 39 | (1,395) | (1,180) |
| Depreciation expense | 7 | (19,341) | (13,183) |
| Amortisation expense | 7 | (1,685) | (1,017) |
| Finance costs | 7 | (5,895) | (3,674) |
| **Profit before income tax expense** | | 1,590 | 13,150 |
| Income tax expense | 8 | (1,247) | (3,973) |
| **Profit after income tax expense for the year** | | 343 | 9,177 |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year** | | 343 | 9,177 |
| Profit for the year is attributable to: | | | |
| Non-controlling interest | | 3,672 | 4,020 |
| Owners of Healthia Limited | | (3,329) | 5,157 |
| | | 343 | 9,177 |
| Total comprehensive income for the year is attributable to: | | | |
| Non-controlling interest | | 3,672 | 4,020 |
| Owners of Healthia Limited | | (3,329) | 5,157 |
| | | 343 | 9,177 |
| | | Cents | Cents |
| Basic earnings per share | 38 | (2.82) | 6.48 |
| Diluted earnings per share | 38 | (2.82) | 6.23 |

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



For personal use only

**Healthia Limited and its Controlled Entities**
**Consolidated statement of financial position**
**As at 30 June 2022**

| | Note | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 5,666 | 5,816 |
| Trade and other receivables | 10 | 8,204 | 4,779 |
| Inventories | 11 | 10,532 | 8,005 |
| Income tax refund due | 8 | 97 | - |
| Other assets | 12 | 3,199 | 2,200 |
| Total current assets | | 27,698 | 20,800 |
| **Non-current assets** | | | |
| Investments accounted for using the equity method | 13 | 19 | 19 |
| Property, plant and equipment | 14 | 17,075 | 12,320 |
| Right-of-use assets | 15 | 59,073 | 40,345 |
| Intangibles | 16 | 246,326 | 137,534 |
| Deferred tax | 8 | 7,845 | 4,525 |
| Total non-current assets | | 330,338 | 194,743 |
| **Total assets** | | 358,036 | 215,543 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 19,089 | 11,800 |
| Borrowings | 18 | 1,954 | 1,674 |
| Lease liabilities | 19 | 17,116 | 11,212 |
| Income tax | 8 | - | 3,668 |
| Employee benefit obligations | 21 | 11,318 | 6,840 |
| Provisions | 22 | 357 | 310 |
| Other liabilities | 23 | 2,914 | 1,745 |
| Total current liabilities | | 52,748 | 37,249 |
| **Non-current liabilities** | | | |
| Borrowings | 18 | 77,117 | 48,330 |
| Lease liabilities | 19 | 46,853 | 32,907 |
| Derivative financial instruments | 20 | 14 | 240 |
| Employee benefit obligations | 21 | 904 | 660 |
| Provisions | 22 | 2,975 | 1,648 |
| Other liabilities | 23 | 4,961 | 1,982 |
| Total non-current liabilities | | 132,824 | 85,767 |
| **Total liabilities** | | 185,572 | 123,016 |
| **Net assets** | | 172,464 | 92,527 |
| **Equity** | | | |
| Issued capital | 24 | 146,213 | 79,578 |
| Reserves | 25 | (2,124) | (3,519) |
| Retained profits/(accumulated losses) | | (7,801) | 320 |
| Equity attributable to the owners of Healthia Limited | | 136,288 | 76,379 |
| Non-controlling interest | 26 | 36,176 | 16,148 |
| **Total equity** | | 172,464 | 92,527 |

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



For personal use only

**Healthia Limited and its Controlled Entities**
**Consolidated statement of changes in equity**
**For the year ended 30 June 2022**

| Consolidated | Issued capital $'000 | Reserves $'000 | Retained profits/ (accumulated losses) $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2020 | 49,884 | (4,190) | (1,793) | 13,955 | 57,856 |
| Profit after income tax expense for the year | - | - | 5,157 | 4,020 | 9,177 |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive income for the year | - | - | 5,157 | 4,020 | 9,177 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contribution of equity, net of transaction cost | 12,596 | - | - | - | 12,596 |
| Issue of performance rights | - | 1,180 | - | - | 1,180 |
| Issue of ordinary shares as consideration for business combinations (note 34) | 13,448 | - | - | - | 13,448 |
| Issue of ordinary shares as part of Dividend Reinvestment Plan (note 24) | 3,044 | - | - | - | 3,044 |
| Issue of ordinary shares as consideration for acquisition of non-controlling interest (note 24) | 606 | - | - | - | 606 |
| Contributions of clinic class shares | - | - | - | 2,767 | 2,767 |
| Issue of clinic class shares as consideration for business combinations (note 35) | - | - | - | 1,584 | 1,584 |
| Buy-back of clinic class shares | - | - | - | (1,707) | (1,707) |
| Transactions with non-controlling interests | - | (509) | - | - | (509) |
| Distributions paid to non-controlling interest | - | - | - | (4,471) | (4,471) |
| Dividends paid (note 27) | - | - | (3,044) | - | (3,044) |
| Balance at 30 June 2021 | 79,578 | (3,519) | 320 | 16,148 | 92,527 |

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



For personal use only

**Healthia Limited and its Controlled Entities**
**Consolidated statement of changes in equity**
**For the year ended 30 June 2022**

| Consolidated | Issued capital $'000 | Reserves $'000 | Retained profits/ (accumulated losses) $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2021 | 79,578 | (3,519) | 320 | 16,148 | 92,527 |
| Profit/(loss) after income tax expense for the 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 24) | 58,128 | - | - | - | 58,128 |
| Issue of performance rights | - | 1,395 | - | - | 1,395 |
| Issue of ordinary shares as consideration for business combinations (note 34) | 5,771 | - | - | - | 5,771 |
| Issue of ordinary shares as part of Dividend Reinvestment Plan (note 24) | 2,736 | - | - | - | 2,736 |
| Contributions of clinic class shares | - | - | - | 1,154 | 1,154 |
| Issue of clinic class shares as consideration for business combinations (note 35) | - | - | - | 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 27) | - | - | (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*



For personal use only

**Healthia Limited and its Controlled Entities**
**Consolidated statement of cash flows**
**For the year ended 30 June 2022**

| | Note | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 198,056 | 139,928 |
| Payments to suppliers (inclusive of GST) | | (171,818) | (115,618) |
| | | 26,238 | 24,310 |
| Interest received | | 1 | 5 |
| Government grants (Covid-19) | | 622 | 10,792 |
| Interest and other finance costs paid | | (5,895) | (3,674) |
| Income taxes paid | | (3,770) | (5,155) |
| Net cash from operating activities | 37 | 17,196 | 26,278 |
| **Cash flows from investing activities** | | | |
| Payment for purchase of businesses, net of cash acquired | 35 | (79,456) | (39,737) |
| Payments of contingent and deferred business purchases consideration | | (1,554) | (3,719) |
| Payment for acquisition of non-controlling interest | | - | (446) |
| Payments for property, plant and equipment | 14 | (3,495) | (2,919) |
| Payments for intangibles | 16 | - | (310) |
| Proceeds from disposal of property, plant and equipment | | 50 | - |
| Net cash used in investing activities | | (84,455) | (47,131) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | 24 | 62,570 | 16,271 |
| Share issue transaction costs | | (2,677) | (631) |
| Proceeds from issue of clinic class shares | | 1,154 | 2,767 |
| Buy-back of clinic class shares | | (220) | (1,707) |
| Proceeds from borrowings | 37 | 29,065 | 21,595 |
| Repayment of lease liabilities | 37 | (14,877) | (10,044) |
| Dividends paid to non-controlling interest | | (3,394) | (4,471) |
| Dividends paid | 27 | (4,792) | (3,044) |
| Proceeds from related party loan | | - | 100 |
| Net cash from financing activities | | 66,829 | 20,836 |
| Net decrease in cash and cash equivalents | | (430) | (17) |
| Cash and cash equivalents at the beginning of the financial year | | 4,142 | 4,159 |
| Cash and cash equivalents at the end of the financial year | 9 | 3,712 | 4,142 |

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



For personal use only

## 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

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 30 September 2022.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

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 a 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.

#### *Working capital deficiency and compliance with banking covenants*

As presented in the financial statements, the Consolidated Entity generated a profit after tax of $0.34 million and had net cash inflows from operating activities of $17.19 million for the year ended 30 June 2022. As at that date the entity had net current liabilities of $25.05 million (FY21: $16.45 million). Within these current liabilities, the Directors further note:

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

- Trade and other payables increased by $7.29 million to $19.09 million (FY21: $11.80 million). As a percentage of revenue, trade and other payables increased from 8.6% in FY21 to 9.5% in FY22;
- Lease liabilities increased by $5.91m to $17.12m (FY21: $11.21m);
- Employee benefit obligations increased by $4.48m to $11.32m (FY21: $6.84m);
- The bank facility overdraft, presented as current borrowings, increased by $0.28 million to $1.95 million (FY21: $1.67 million).

The directors also note that prior to 30 June 2022, the Consolidated Entity requested and received waivers from its financiers in relation to the addbacks when calculating Adjusted EBITDA for the purposes of its bank covenants, in particular for the Leverage Covenant (Debt:Adjusted EBITDA). Addbacks (namely, adjustments) in relation to acquisition, integration and restructuring costs for the period exceeded the balance permitted under the Syndicated Facility Agreement and the Consolidated Entity received waivers from each of its financiers to allow the total quantum of addbacks for the period ended 30 June 2022. Further detail of the applicable loan covenants is included in Note 18.

Notwithstanding these conditions, the Directors believe the following:

For personal use only

## Note 2. Significant accounting policies (continued)

- $17.12 million included in current liabilities relates to property leases (under AASB16) where the associated right-of-use assets are recognised as non-current assets. Cash flow from customers will be generated from the Consolidated Entity's business sites/clinics and a portion of these cash flows will be used to pay the respective lease liability repayments (property rents); and
- Other current liabilities of $1.21 million relate to contingent consideration for business acquisitions (earn-outs), which will only be achieved if cash flow generation remains as forecast.

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. Therefore, the directors believe that the preparation of the financial statements using the going concern basis of accounting is appropriate.

Key to the 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 COVID-19-related impacts, as have been experienced in financial years 2022 and 2021;
- Subsequent event capital raising – subsequent to year end the Consolidated Entity has successfully undertaken a capital raising providing funds to support working capital and provide flexibility for further acquisitions. Refer below for further detail;
- Bank waivers – in September 2022, the Consolidated Entity has obtained waivers from its financiers in relation to the addbacks when calculating Adjusted EBITDA as detailed above for the September 2022 and December 2022 quarters. As a result of obtaining these waivers, the consolidated entity is forecasting to be in compliance with its loan covenants for 12 months from the date of these financial statements.

### *Subsequent event – Capital Raising*

On 8 September 2022, the Consolidated Entity announced that it was raising up to $15.0 million via an accelerated non-renounceable pro-rata entitlement offer. The offer comprised an Institutional Entitlement Offer to raise approximately $10 million and a Retail Entitlement Offer to raise approximately $5 million.

On 12 September 2022, the Consolidated Entity announced the successful completion of the Institutional Entitlement Offer and approximately $10 million was receipted by the Consolidated Entity on 16 September 2022.

The Retail Entitlement Offer closes on 30 September 2022 and an amount of up to $5 million is expected to be raised from this offer. The Retail Entitlement Offer is not underwritten.

This capital raising provided additional cash reserves to fund near term acquisition opportunities and provide additional financial flexibility. The capital raising provided the Consolidated Entity with a strengthened balance sheet.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of derivative financial instruments.

For personal use only

## Note 2. Significant accounting policies (continued)

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity, Healthia Limited, is disclosed in note 34.

### Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2022 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

For personal use only

## Note 2. Significant accounting policies (continued)

### Associates

Associates are entities over which the Consolidated Entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Consolidated Entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

*Financial assets at amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

*Impairment of financial assets*

The Consolidated Entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Consolidated Entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

### Impairment of non-financial assets

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

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

For personal use only

## Note 2. Significant accounting policies (continued)

### Finance costs

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

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### 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.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2022. The Consolidated Entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

*Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Consolidated Entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

*Allowance for expected credit losses for trade receivables*

The allowance for expected credit losses assessment for trade receivables requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 10, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

For personal use only

## Note 3. Critical accounting judgements, estimates and assumptions (continued)

*Goodwill and other indefinite life intangible assets*
The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

For the purpose of impairment testing, goodwill has been allocated to the Cash-Generating Units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the business combination and which represent the level at which management will monitor and manage the goodwill. The Consolidated Entity has identified three CGUs, being the Bodies & Minds, Feet & Ankles, Eyes & Ears divisions. Refer to Note 16 for details on impairment testing.

*Classification of Clinic Class Shares: Equity vs Financial liability*
Clinic Class Shares were issued to (1) the sellers on acquisition of various podiatry and physiotherapy clinics and (2) clinicians who wish to (i) 'buy-in' to existing clinics, or (ii) 'buy-in' to a new podiatry or physiotherapy clinic.

The Clinic Class Shares were historically classified as a financial liability based on the fact that My FootDr (Aust) Limited previously had a contractual obligation to deliver cash in the form of preferential dividends payable to the holders each quarter by reference to profits derived from the Clinics. The Clinic Class Shares have been reclassified to equity in 2019 Financial year following amendments to the terms and conditions that result in the instruments having the characteristics of equity.

*Lease term*
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Consolidated Entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Consolidated Entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

*Incremental borrowing rate*
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Consolidated Entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

*Contingent consideration*
The contingent consideration liability relates to business combinations and is valued at fair value at the acquisition date as part of the business combination. At each reporting date, the contingent consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost. Refer to Note 29 for the fair value measurement of contingent consideration.

*Business combinations*
As discussed in note 35, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Consolidated Entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

The Consolidated Entity has accounted for the acquisition of Back In Motion physiotherapy on an aggregate basis (i.e. as one acquisition), rather than 63 separate acquisitions. The Consolidated Entity also accounted for the acquisition of the LensPro optometrists group on an aggregate basis, rather than as 8 separate acquisitions. In determining this position, the Consolidated Entity has applied the relevant considerations detailed in AASB 3.

For personal use only

## Note 4. Segment Information

*Identification of reportable segments*
For management purposes, the Consolidated Entity is organised into business units based on its products and services and has three reportable segments, as follows: : Feet & Ankles, Bodies & Minds and Eyes & Ears.

These reportable 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.

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 reportable segments are as follows:

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

*Presentation of revenue and results*
Underlying results 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.

*Reportable segment information*

| Consolidated - 2022 | Feet & Ankles $'000 | Bodies & Minds $'000 | Eyes & Ears $'000 | Other* $'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 (**) | 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 costs (***) | - | - | - | (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 |

For personal use only

## Note 4. Segment Information (continued)

* The 'Other' category comprises corporate functions and does not represent a 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 leases costs are therefore added back in this reconciliation between underlying EBITDA and statutory profit/(loss).

*** Varies from Consolidated Statement of Profit and Loss due to attribution of directly attributable Employee Benefits Expenses.

| Consolidated - 2021 | Feet & Ankles $'000 | Bodies & Minds $'000 | Eyes & Ears $'000 | Other* $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales to external customers | 57,363 | 59,258 | 20,325 | - | 136,946 |
| **Total revenue** | 57,363 | 59,258 | 20,325 | - | 136,946 |
| | | | | | |
| **EBITDA** | 13,141 | 10,635 | 5,794 | (8,102) | 21,468 |
| Addback property lease costs (**) | 4,897 | 4,440 | 2,096 | - | 11,433 |
| Depreciation and amortisation expense | (6,285) | (4,899) | (3,016) | - | (14,200) |
| Share-based payments expense | - | - | - | (1,180) | (1,180) |
| Finance costs | - | - | - | (3,674) | (3,674) |
| COVID related expenses (***) | - | - | (2,102) | - | (2,102) |
| Acquisition and integration costs (***) | - | - | - | (4,208) | (4,208) |
| JobKeeper excluded from Underlying EBITDA | 1,408 | 3,262 | 943 | - | 5,613 |
| **Profit/(loss) before income tax expense** | 13,161 | 13,438 | 3,715 | (17,164) | 13,150 |
| Income tax expense | | | | | (3,973) |
| **Profit after income tax expense** | | | | | 9,177 |

* The 'Other' category comprises corporate functions and does not represent a 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 leases costs are therefore added back in this reconciliation between underlying EBITDA and statutory profit/(loss).

*** Varies from Consolidated Statement of Profit and Loss due to attribution of directly attributable Employee Benefits Expenses.

*Accounting policy for reportable segments*
Reportable 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 segments and assessing their performance.

## Note 5. Revenue from contracts with customers

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Rendering of services | 154,898 | 109,698 |
| Sale of goods | 45,366 | 27,248 |
| Revenue from contracts with customers | 200,264 | 136,946 |

For personal use only

## Note 5. Revenue from contracts with customers (continued)

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

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Segment Revenue* | | |
| Feet & Ankles | 53,183 | 57,363 |
| Bodies & Minds | 109,825 | 59,258 |
| Eyes & Ears | 37,256 | 20,325 |
| | 200,264 | 136,946 |
| *Geographical regions* | | |
| Australia | 197,306 | 136,159 |
| United States | 1,252 | 787 |
| New Zealand | 1,706 | - |
| | 200,264 | 136,946 |
| *Timing of revenue recognition* | | |
| Goods and services transferred at a point in time | 200,264 | 136,946 |

***Accounting policy for revenue recognition***
The Consolidated Entity recognises revenue as follows:

*Revenue from contracts with customers*
Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated Entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

*Sale of goods*
Revenue from the sale of goods is recognised at a point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Revenue from the sale of goods from the orthotics laboratory and podiatry wholesale business goods is recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the goods have been shipped to the specific location, and the risks of obsolescence and loss have been transferred to the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional.

*Rendering of services*
Revenue from a contract to provide services is recognised as the services are rendered based on either a fixed price or an hourly rate.

For personal use only

## Note 6. Other income

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Government grants (COVID-19) | 622 | 7,606 |
| Interest | 1 | 5 |
| Sub-tenant rent | 1,284 | 989 |
| Dividend income | 24 | - |
| Other income | 589 | 480 |
| Other income | 2,520 | 9,080 |

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

***Accounting policy for government grants***
Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

***Accounting policy for interest***
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

***Accounting policy for rent***
Rent revenue is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

For personal use only

## Note 7. Expenses

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Profit before income tax includes the following specific expenses: | | |
| *Cost of sales* | | |
| Cost of sales | 18,258 | 13,915 |
| *Depreciation* | | |
| Leasehold improvements | 648 | 607 |
| Plant and equipment | 2,695 | 2,267 |
| Land and buildings - right-of-use assets | 15,755 | 10,190 |
| Plant and equipment - right-of-use assets | 243 | 119 |
| Total depreciation | 19,341 | 13,183 |
| *Amortisation* | | |
| Customer lists | 1,578 | 887 |
| Software | 107 | 130 |
| Total amortisation | 1,685 | 1,017 |
| Total depreciation and amortisation | 21,026 | 14,200 |
| *Finance costs* | | |
| Interest expense - bank | 2,813 | 1,662 |
| Interest expense - lease liabilities | 3,082 | 2,012 |
| Finance costs expensed | 5,895 | 3,674 |
| *Superannuation expense* | | |
| Defined contribution superannuation expense | 10,686 | 6,857 |
| *Share-based payments expense* | | |
| Share-based payments expense | 1,395 | 1,180 |

For personal use only

## Note 8. Income tax

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Income tax expense* | | |
| Current tax | 4,331 | 5,890 |
| Deferred tax - origination and reversal of temporary differences | (2,681) | (1,855) |
| Adjustment recognised for prior periods | (107) | (62) |
| Derecognition of DT balance | (296) | - |
| Aggregate income tax expense | 1,247 | 3,973 |
| Deferred tax included in income tax expense comprises: | | |
| Increase in deferred tax assets | (2,681) | (1,855) |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Profit before income tax expense | 1,590 | 13,150 |
| Tax at the statutory tax rate of 30% | 477 | 3,945 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Capital costs expensed | 1,405 | 204 |
| Reversal of contingent consideration | (394) | - |
| Derecognition of DT balance | (296) | - |
| Other | (51) | - |
| Under/over | 213 | (114) |
| | 1,354 | 4,035 |
| Adjustment recognised for prior periods | (107) | (62) |
| Income tax expense | 1,247 | 3,973 |

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Amounts credited directly to equity* | | |
| Deferred tax assets | (803) | (239) |

For personal use only

## Note 8. Income tax (continued)

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Deferred tax asset* | | |
| Deferred tax asset comprises temporary differences attributable to: | | |
| Amounts recognised in profit or loss: | | |
| Right-of-use asset | (17,722) | (12,099) |
| Customer lists | (1,772) | (914) |
| Employee benefits | 5,562 | 3,353 |
| Leases | 19,191 | 13,224 |
| Accrued expenses | 303 | 116 |
| Blackhole expenses | 956 | 592 |
| Other | 68 | 43 |
| Losses - Revenue & Capital | 1,259 | 210 |
| Deferred tax asset | 7,845 | 4,525 |
| Movements: | | |
| Opening balance | 4,525 | 2,874 |
| Credited to profit or loss | 2,681 | 1,855 |
| Credited to equity | 803 | 239 |
| Additions through business combinations (note 35) | (301) | 129 |
| Derecognition | (296) | - |
| Other | 143 | (171) |
| Under/over | 290 | (401) |
| Closing balance | 7,845 | 4,525 |

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Income tax refund due* | | |
| Income tax refund due | 97 | - |

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Provision for income tax* | | |
| Provision for income tax | - | 3,668 |

***Accounting policy for income tax***

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

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

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

For personal use only

## Note 8. Income tax (continued)

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

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

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

## Note 9. Cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| *Current assets* | | |
| Cash on hand | 225 | 132 |
| Cash at bank | 5,441 | 5,684 |
| | 5,666 | 5,816 |

*Reconciliation to cash and cash equivalents at the end of the financial year*
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

| | | |
|---|---|---|
| Balances as above | 5,666 | 5,816 |
| Bank overdraft (note 18) | (1,954) | (1,674) |
| Balance as per statement of cash flows | 3,712 | 4,142 |

***Accounting policy for cash and cash equivalents***
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also include bank overdrafts, which are shown within borrowings in current liabilities on the Statement of Financial Position.

## Note 10. Trade and other receivables

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| *Current assets* | | |
| Trade receivables | 8,562 | 4,578 |
| Less: Allowance for expected credit losses | (549) | (377) |
| | 8,013 | 4,201 |
| GST recoverable | 191 | 578 |
| | 8,204 | 4,779 |

For personal use only

## Note 10. Trade and other receivables (continued)

*Allowance for expected credit losses*
The Consolidated Entity has recognised a loss of $268,000 (30 June 2021: $271,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2022.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

| Consolidated | Expected credit loss rate 2022 % | Expected credit loss rate 2021 % | Carrying amount 2022 $'000 | Carrying amount 2021 $'000 | Allowance for expected credit losses 2022 $'000 | Allowance for expected credit losses 2021 $'000 |
|---|---|---|---|---|---|---|
| Current | - | - | 4,900 | 2,362 | - | - |
| 0 to 3 months overdue | - | - | 1,172 | 876 | - | - |
| Over 3 months overdue | 22% | 28% | 2,490 | 1,340 | 549 | 377 |
| | | | 8,562 | 4,578 | 549 | 377 |

| Feet & Ankles Reportable segment | Expected credit loss rate 2022 % | Expected credit loss rate 2021 % | Carrying amount 2022 $'000 | Carrying amount 2021 $'000 | Allowance for expected credit losses 2022 $'000 | Allowance for expected credit losses 2021 $'000 |
|---|---|---|---|---|---|---|
| Current | - | - | 746 | 537 | - | - |
| 0 to 3 months overdue | - | - | 339 | 426 | - | - |
| Over 3 months overdue | 21% | 13% | 691 | 545 | 145 | 70 |
| | | | 1,776 | 1,508 | 145 | 70 |

| Bodies & Minds Reportable Segment | Expected credit loss rate 2022 % | Expected credit loss rate 2021 % | Carrying amount 2022 $'000 | Carrying amount 2021 $'000 | Allowance for expected credit losses 2022 $'000 | Allowance for expected credit losses 2021 $'000 |
|---|---|---|---|---|---|---|
| Current | - | - | 2,629 | 1,000 | - | - |
| 0 to 3 months overdue | - | - | 692 | 328 | - | - |
| Over 3 months overdue | 21% | 28% | 1,505 | 545 | 316 | 150 |
| | | | 4,826 | 1,873 | 316 | 150 |

| Eyes & Ears Reportable segment | Expected credit loss rate 2022 % | Expected credit loss rate 2021 % | Carrying amount 2022 $'000 | Carrying amount 2021 $'000 | Allowance for expected credit losses 2022 $'000 | Allowance for expected credit losses 2021 $'000 |
|---|---|---|---|---|---|---|
| Current | - | - | 766 | 826 | - | - |
| 0 to 3 months overdue | - | - | 141 | 121 | - | - |
| Over 3 months overdue | 30% | 63% | 295 | 249 | 88 | 157 |
| | | | 1,202 | 1,196 | 88 | 157 |

The calculation of expected credit losses has been revised as at 30 June 2022 and rates have decreased in the Over 3 months overdue category to 22% (30 June 2021: 28%).

For personal use only

## Note 10. Trade and other receivables (continued)

***Accounting policy for trade and other receivables***
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Consolidated Entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Consolidated Entity has identified the following to be the most relevant factors in determining expected loss rates:

- unemployment rate
- inflation, and
- Reserve Bank of Australia cash rate

Aged debtors greater than 90 days require investigation. Management uses judgment in determining which debtors are unlikely to be recovered and require write-off

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

## Note 11. Inventories

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| *Current assets* | | |
| Consumables at cost | 951 | 1,134 |
| Finished goods at cost | 9,581 | 6,871 |
| | 10,532 | 8,005 |

***Accounting policy for inventories***
Consumables and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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

## Note 12. Other assets

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| *Current assets* | | |
| Prepayments | 2,166 | 1,128 |
| Other current assets | 1,033 | 1,072 |
| | 3,199 | 2,200 |

For personal use only

## Note 13. Investments accounted for using the equity method

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Non-current assets* | | |
| Investment in associate - Fracture Holdco Pty Ltd | 19 | 19 |
| *Reconciliation* | | |
| Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below: | | |
| Opening carrying amount | 19 | 19 |
| Closing carrying amount | 19 | 19 |

### *Interests in associates*

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Consolidated Entity are set out below:

| Name | Principal place of business / Country of incorporation | Ownership interest 2022 % | Ownership interest 2021 % |
|---|---|---|---|
| Fracture Holdco Pty Ltd | Australia | 40.00% | 45.00% |

## Note 14. Property, plant and equipment

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Non-current assets* | | |
| Leasehold improvements - at cost | 10,368 | 8,530 |
| Less: Accumulated depreciation | (5,032) | (4,384) |
| | 5,336 | 4,146 |
| Plant and equipment - at cost | 26,266 | 20,007 |
| Less: Accumulated depreciation | (14,527) | (11,833) |
| | 11,739 | 8,174 |
| | 17,075 | 12,320 |

For personal use only

## Note 14. Property, plant and equipment (continued)

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

| Consolidated | Leasehold improvements $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 July 2020 | 2,827 | 4,849 | 7,676 |
| Additions | 1,082 | 1,837 | 2,919 |
| Additions through business combinations (note 35) | 844 | 3,810 | 4,654 |
| Disposals | - | (55) | (55) |
| Depreciation expense | (607) | (2,267) | (2,874) |
| Balance at 30 June 2021 | 4,146 | 8,174 | 12,320 |
| Additions | 1,341 | 2,154 | 3,495 |
| Additions through business combinations (note 35) | 546 | 4,106 | 4,652 |
| Disposals | (49) | - | (49) |
| Depreciation expense | (648) | (2,695) | (3,343) |
| Balance at 30 June 2022 | 5,336 | 11,739 | 17,075 |

***Accounting policy for property, plant and equipment***
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

| | |
|---|---|
| Leasehold improvements | 3-10 years |
| Plant and equipment | 3-7 years |

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

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

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

## Note 15. Right-of-use assets

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Non-current assets* | | |
| Land and buildings - right-of-use | 91,668 | 56,942 |
| Less: Accumulated depreciation | (32,595) | (16,840) |
| | 59,073 | 40,102 |
| Plant and equipment - right-of-use | 622 | 622 |
| Less: Accumulated depreciation | (622) | (379) |
| | - | 243 |
| | 59,073 | 40,345 |

For personal use only

## Note 15. Right-of-use assets (continued)

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

| Consolidated | Land and buildings - right-of-use $'000 | Plant and equipment - right-of-use $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 July 2020 | 23,869 | 347 | 24,216 |
| Additions | 9,922 | 15 | 9,937 |
| Additions through business combinations (note 35) | 16,501 | - | 16,501 |
| Depreciation expense | (10,190) | (119) | (10,309) |
| Balance at 30 June 2021 | 40,102 | 243 | 40,345 |
| Additions | 15,322 | - | 15,322 |
| Additions through business combinations (note 35) | 19,404 | - | 19,404 |
| Depreciation expense | (15,755) | (243) | (15,998) |
| Balance at 30 June 2022 | 59,073 | - | 59,073 |

For other lease disclosures, refer to:
- note 7 for depreciation on right-of-use assets and interest on lease liabilities;
- note 19 for lease liabilities at the reporting date;
- note 28 for maturity analysis of lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

***Accounting policy for right-of-use assets***
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Consolidated Entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Consolidated Entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

For personal use only

## Note 16. Intangibles

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Non-current assets* | | |
| Goodwill - at cost | 235,242 | 133,650 |
| Trademarks and brands | 4,855 | 255 |
| Customer lists | 9,646 | 5,361 |
| Less: Accumulated amortisation | (3,711) | (2,133) |
| | 5,935 | 3,228 |
| Software - at cost | 699 | 699 |
| Less: Accumulated amortisation | (405) | (298) |
| | 294 | 401 |
| | 246,326 | 137,534 |

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

| Consolidated | Goodwill $'000 | Trademarks and brands $'000 | Customer lists $'000 | Software $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2020 | 77,173 | 20 | 1,860 | 222 | 79,275 |
| Additions | - | 1 | - | 309 | 310 |
| Additions through business combinations (note 35) | 56,477 | 234 | 2,255 | - | 58,966 |
| Amortisation expense | - | - | (887) | (130) | (1,017) |
| Balance at 30 June 2021 | 133,650 | 255 | 3,228 | 401 | 137,534 |
| Additions through business combinations (note 35) | 101,592 | 4,600 | 4,285 | - | 110,477 |
| Amortisation expense | - | - | (1,578) | (107) | (1,685) |
| Balance at 30 June 2022 | 235,242 | 4,855 | 5,935 | 294 | 246,326 |

A Cash-Generating Unit ('CGU') level summary of the goodwill allocation is presented below:

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Feet & Ankles | 43,323 | 43,305 |
| Bodies & Minds | 142,571 | 47,071 |
| Eyes & Ears | 49,348 | 43,274 |
| Total goodwill | 235,242 | 133,650 |

For personal use only

## Note 16. Intangibles (continued)

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

For the purpose of impairment testing, goodwill, trademarks and brands have been allocated to the CGU, or groups of CGUs, that are expected to benefit from the synergies of the business combination and which represent the level at which management will monitor and manage the goodwill, trademarks and brands. The Consolidated Entity has identified three CGUs, being the Bodies and Minds, Feet and Ankles and Eyes and Ears divisions.

Key assumptions used for the value-in-use calculations are those to which the recoverable amount of an asset or CGUs is most sensitive.

The following key assumptions were used in the discounted cash flow model for both the Bodies & Minds, Feet & Ankles and Eyes & Ears divisions:

- The Consolidated Entity tests for impairment of goodwill, trademarks and brands on an annual basis. The recoverable amount of a CGU is determined based on a value-in-use calculation which require the use of assumptions.
- The calculations use cash flow projections over a five-year period, the first being 2023, based on the financial budget approved by the Board. Cash flow projections for periods beyond the 2023 period are extrapolated using the estimated growth rates below.
- Goodwill, trademarks and brands have been allocated to the three groupings of CGUs representing Bodies & Minds ('B&M'), Feet & Ankles ('F&A') and Eyes & Ears ('E&E').
- Corporate overheads have been apportioned to the CGUs based on the following percentages:
  B&M Division: 56%
  F&A Division: 26%
  E&E Division: 18%
- Sensitivity analyses on growth and discount rates has been performed to assess the impact on the outcome of the model.

Significant assumptions for the purposes of the value-in-use calculation include:

- Period of cash flows: 5 years
- 3.0% (2021: 3.0%) per annum projected revenue growth
- 3.0% (2021: 3.0%) per annum increase in operating costs and overheads
- Maintenance capital expenditures of 1% (2021: 1.0%) of revenue per annum
- 13.0% (2021: 13.0%) pre-tax discount rate
- 3.0% (2021: 3.0%) terminal value growth rate

It is inherently difficult to predict the impact of any future COVID-19 developments. Whilst temporary measures, such as self-isolation, may have a short-term impact on staff absenteeism and patient and customer cancellations, it is expected to be immaterial to the longer term and aggregate cashflows of the Consolidated Entity.

The Consolidated Entity believes that the assumptions adopted in the value-in-use calculations are appropriate.

Management has determined the projected growth rates for revenue, operating costs and overheads over the five-year forecast period based on past performance and management's expectation of market development.

The maintenance capital expenditure rate has been determined based on the historical experience of management, and the planned capital expenditure.

The discount rate of 13.0% pre-tax reflects management’s estimate of the time value of money and the Consolidated Entity’s weighted average cost of capital, the long-term risk-free rate and the volatility of the share price relative to market movements.

The terminal value growth rate is consistent with forecasts included within industry reports.

Based on the above assumptions, the recoverable amount of the Bodies & Minds CGU exceeds the carrying amount by $84,454,000.

For personal use only

## Note 16. Intangibles (continued)

Based on the above assumptions, the recoverable amount of the Feet & Ankles CGU exceeds the carrying amount by $68,906,000.

Based on the above assumptions, the recoverable amount of the Eyes & Ears CGU exceeds the carrying amount by $44,633,000.

*Sensitivity*
As disclosed in note 3, the Directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease.

Bodies & Minds division analysis:
- Growth rates for revenue, costs and terminal value would need to decrease by more than 360 basis points before goodwill would need to be impaired with all other assumptions remaining constant.
- The pre-tax discount rate would be required to increase by 501 basis points before goodwill would need to be impaired, with all other assumptions remain constant.
- FY23 EBITDA would need to decrease by more than 26.3% before goodwill would need to be impaired with all other assumptions remaining constant.

Feet & Ankles division analysis:
- Growth rates for revenue, costs and terminal value would need to decrease by more than 830 basis points before goodwill would need to be impaired with all other assumptions remaining constant.
- The pre-tax discount rate would be required to increase by 1,151 basis points before goodwill would need to be impaired, with all other assumptions remain constant.
- FY23 EBITDA would need to decrease by more than 44.3% before goodwill would need to be impaired with all other assumptions remaining constant.

Eyes & Ears division analysis:
- Growth rates for revenue, costs and terminal value would need to decrease by more than 510 basis points before goodwill would need to be impaired with all other assumptions remaining constant.
- The pre-tax discount rate would be required to increase by 712 basis points before goodwill would need to be impaired, with all other assumptions remain constant.
- FY23 EBITDA would need to decrease by more than 37.4% before goodwill would need to be impaired with all other assumptions remaining constant.

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

***Accounting policy for intangible assets***
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

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

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

*Trademarks and Brands*
Trademarks and brands are tested annually for impairment.

For personal use only

## Note 16. Intangibles (continued)

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

*Software*
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

## Note 17. Trade and other payables

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| *Current liabilities* | | |
| Trade payables | 4,340 | 4,000 |
| Accruals | 3,267 | 2,413 |
| PAYG tax payable | 8,092 | 3,443 |
| Superannuation payable | 2,957 | 1,718 |
| Other payables | 433 | 226 |
| | 19,089 | 11,800 |

***Accounting policy for trade and other payables***
These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. They are measured at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

## Note 18. Borrowings

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| *Current liabilities* | | |
| Bank overdraft | 1,954 | 1,674 |
| *Non-current liabilities* | | |
| Bank loans | 77,117 | 48,330 |
| | 79,071 | 50,004 |

Refer to note 28 for further information on financial instruments.

*Assets pledged as security*
The bank overdraft and loan are secured by a General Security Agreement over the Consolidated Entity.

For personal use only

## Note 18. Borrowings (continued)

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

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Total facilities | | |
| Bank overdraft | 2,000 | 2,000 |
| Bank loans | 100,000 | 70,000 |
| | 102,000 | 72,000 |
| Used at the reporting date | | |
| Bank overdraft | 1,954 | 1,674 |
| Bank loans | 77,117 | 48,330 |
| | 79,071 | 50,004 |
| Unused at the reporting date | | |
| Bank overdraft | 46 | 326 |
| Bank loans | 22,883 | 21,670 |
| | 22,929 | 21,996 |

During FY22, the Consolidated Entity increased its total finance facility from $70.00 million to $100.00 million with its financiers, namely ANZ, NAB and BOQ. At period end, the Consolidated Entity has undrawn facilities of approximately $22.88 million available with a tenor (remaining maturity) of 2.25 years.

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

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

Note that for the purposes of bank covenant calculations:

- Actual EBITDA is provided on a trailing 12-month basis;
- EBITDA is adjusted for the earnings contribution of recent acquisitions where the businesses have not been held for a 12 month period;
- EBITDA is adjusted for agreed one-off costs (e.g. acquisitions costs) incurred during the testing period; and
- AASB 16 'Leases' does not apply and covenants are calculated as they were prior to the adoption of this accounting standard by the Consolidated Entity.

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

For personal use only

## Note 19. Lease liabilities

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| *Current liabilities* | | |
| Lease liability | 17,116 | 11,212 |
| *Non-current liabilities* | | |
| Lease liability | 46,853 | 32,907 |
| | 63,969 | 44,119 |

Refer to note 28 for further information on financial instruments.

*The Consolidated Entity's leasing activities*
The Consolidated Entity leases various clinics, retail stores, offices and warehouses. Rental contracts are typically made for a fixed period of 3 to 5 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Lease assets may not be used as security for borrowing purposes.

*Extension and termination options*
Extension and termination options are included in a number of property and equipment leases across the Consolidated Entity. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the Consolidated Entity and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options in clinics, retail stores, offices and warehouses have not been included in the lease liability because the Consolidated Entity replaces the assets without significant cost or business disruption.

***Accounting policy for lease liabilities***
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Consolidated Entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

For personal use only

## Note 20. Derivative financial instruments

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| *Non-current liabilities* | | |
| Interest rate swap derivative liabilities | 14 | 240 |

Refer to note 28 for further information on financial instruments.

Refer to note 29 for further information on fair value measurement.

***Accounting policy for derivative financial instruments***
The Consolidated Entity uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

## Note 21. Employee benefit obligations

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| *Current liabilities* | | |
| Annual leave | 8,151 | 4,941 |
| Long service leave | 3,167 | 1,899 |
| | 11,318 | 6,840 |
| *Non-current liabilities* | | |
| Long service leave | 904 | 660 |
| | 12,222 | 7,500 |

***Accounting policy for employee benefits***

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

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

*Defined contribution superannuation expense*
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

For personal use only

## Note 22. Provisions

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Current liabilities* | | |
| Lease make good provision | 357 | 310 |
| *Non-current liabilities* | | |
| Lease make good provision | 2,975 | 1,648 |
| | 3,332 | 1,958 |

*Lease make good*
The provision represents the present value of the estimated costs to make good the premises leased by the Consolidated Entity at the end of the respective lease terms.

***Accounting policy for provisions***
Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

## Note 23. Other liabilities

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Current liabilities* | | |
| Contingent consideration | 1,214 | 680 |
| Deferred consideration | 1,700 | 1,065 |
| | 2,914 | 1,745 |
| *Non-current liabilities* | | |
| Contingent consideration | 4,961 | 1,982 |
| | 7,875 | 3,727 |

***Accounting policy for contingent consideration***
The contingent consideration liability relates to business combinations and is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the contingent consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

For personal use only

## Note 24. Issued capital

| | Consolidated | | | |
|---|---|---|---|---|
| | 2022 Shares '000 | 2021 Shares '000 | 2022 $'000 | 2021 $'000 |
| Ordinary shares - fully paid | 128,316 | 90,205 | 146,213 | 79,578 |

*Movements in ordinary share capital*

| Details | Date | Shares '000 | Issue price | $'000 |
|---|---|---|---|---|
| Balance | 1 July 2020 | 63,035 | | 49,884 |
| Issue of ordinary shares - Dividend Reinvestment Plan | 24 September 2020 | 1,156 | $0.99 | 1,147 |
| Issue of ordinary shares - Dividend Reinvestment Plan | 28 September 2020 | 115 | $0.99 | 114 |
| Issue of ordinary shares - Retail Entitlement Offer | 3 November 2020 | 9,984 | $0.95 | 9,485 |
| Issue of ordinary shares - Institutional Entitlement Offer | 17 November 2020 | 3,939 | $0.95 | 3,742 |
| Issue of ordinary shares - acquisition of The Optical Company (refer to note 35) | 30 November 2020 | 9,400 | $1.29 | 12,126 |
| Issue of ordinary shares - acquisition of the non-controlling interest | 1 December 2020 | 469 | $1.29 | 606 |
| Issue of ordinary shares - acquisition of Natural Fit Footwear (refer to note 35) | 17 December 2020 | 1,066 | $1.24 | 1,322 |
| Issue of ordinary shares - Dividend Reinvestment Plan | 23 March 2021 | 1,041 | $1.71 | 1,783 |
| Share issue transaction costs (net of tax) | | | | (631) |
| Balance | 30 June 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 | 30 June 2022 | 128,316 | | 146,213 |

*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.

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.

For personal use only

## Note 24. Issued capital (continued)

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 current 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 2021 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 25. Reserves

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Share-based payments reserve | 3,230 | 1,835 |
| Transactions with non-controlling interest reserve | (2,860) | (2,860) |
| Pre-IPO distributions reserve | (2,494) | (2,494) |
| | (2,124) | (3,519) |

*Share-based payments reserve*
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

*Transactions with non-controlling interest reserve*
The transactions with non-controlling interest reserve are used to record differences which may arise as a result of increases or decreases in non-controlling interests that do not result in a loss of control.

*Pre-IPO distribution reserve*
The reserve records any differences between the acquired net assets and the consideration under continuation accounting. The transaction relevant to the understanding of this reserve account is detailed below:

Healthia Limited was incorporated on 10 May 2018 as a holding company to acquire the podiatry and physiotherapy service business as part of the Initial Public Offer of Healthia Limited. In this respect, Healthia Limited acquired all of the ordinary shares in My FootDr (Aust) Ltd (the MFDA Group) on 30 July 2018. In accordance with AASB3 Business Combinations, the acquisition of MFDA Group by Healthia Limited did not meet the definition of a business combination. Therefore, Healthia Limited's first issued financial statements applied the continuation method of accounting for the combination of the MFDA Group.

Under continuation accounting, the Consolidated Entity effectively adopted book value accounting whereby the assets and liabilities of the legal acquiree (MFDA Group) were recognised at their previous carrying amounts. No adjustments were made to reflect fair values and no new assets (including goodwill) and liabilities of the legal acquiree were recognised at the date of the business combination. Any difference between the acquired net assets and the consideration were recognised through the pre-IPO distribution reserve account in equity.

For personal use only

## Note 25. Reserves (continued)

*Movements in reserves*
Movements in each class of reserve during the current and previous financial year are set out below:

| Consolidated | Share-based payments $'000 | Transactions with non-controlling interest $'000 | Pre-IPO distributions $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2020 | 655 | (2,351) | (2,494) | (4,190) |
| Issue of performance rights | 1,180 | - | - | 1,180 |
| Acquisition of non-controlling interest of Mount Gambier Optical Pty Ltd | - | (509) | - | (509) |
| Balance at 30 June 2021 | 1,835 | (2,860) | (2,494) | (3,519) |
| Issue of performance rights | 1,395 | - | - | 1,395 |
| Balance at 30 June 2022 | 3,230 | (2,860) | (2,494) | (2,124) |

## Note 26. Non-controlling interest

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Issued equity - Clinic Class shares | 35,079 | 15,329 |
| Retained profits | 1,097 | 819 |
| | 36,176 | 16,148 |

*Classification of Clinic Class Shares: Equity*
Clinic Class Shares were issued to (1) the sellers on acquisition of various podiatry clinics and (2) clinicians who wish to (i) 'buy-in' to existing clinics, or (ii) 'buy-in' to a new podiatry, physiotherapy, and optical clinic. In accordance with the substance of the contractual arrangements and the definition of an equity instrument, the Clinic Class Shares are classified as equity instruments.

Refer to note 3 for details of the key judgements regarding the accounting treatment.

## Note 27. Dividends

*Dividends*
Dividends paid during the financial year were as follows:

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Interim dividend for the year ended 30 June 2022 of 2.0 cents per ordinary share | 2,537 | - |
| Final dividend for the year ended 30 June 2021 of 2.5 cents per ordinary share | 2,255 | - |
| Interim dividend for the year ended 30 June 2021 of 2.0 cents per ordinary share | - | 1,783 |
| Final dividend for the year ended 30 June 2020 of 2.0 cents per ordinary share | - | 1,261 |
| | 4,792 | 3,044 |

As at the date of signing the financial report, the Directors of Healthia Limited have determined not to declare the payment of a final dividend for 2022 taking into account the significant one-off costs incurred during the period which have reduced free cash, in addition to the significant growth opportunities (both organic and inorganic) available to the Consolidated Entity.

For personal use only

## Note 27. Dividends (continued)

The Consolidated Entity plans to resume its stated dividend policy, of distributing between 40% to 60% of underlying NPATA, during the next financial year. 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.

*Franking credits*

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 10,388 | 10,479 |

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 28. Financial instruments

### *Financial risk management objectives*
The Consolidated Entity's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Consolidated Entity's operating units. Finance reports to the Board on a monthly basis.

### *Market risk*

*Interest rate risk*
The Consolidated Entity's main interest rate risk arises from long-term borrowings and interest rate swap contracts. Borrowings obtained at variable rates expose the Consolidated Entity to interest rate risk. Borrowings obtained at fixed rates expose the Consolidated Entity to fair value interest rate risk.

At the reporting date, the Consolidated Entity had the following variable rate borrowings and interest rate swap contracts outstanding:

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Bank loans | 77,117 | 48,330 |
| Interest rate swaps (notional principal amount) | (20,000) | (20,000) |
| Net exposure to cash flow interest rate risk | 57,117 | 28,330 |

For personal use only

## Note 28. Financial instruments (continued)

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

For the Consolidated Entity the bank loans outstanding, totalling $77,117,000 (30 June 2021: $48,330,000), are interest only loans. At the reporting date, $20,000,000 (30 June 2021: $20,000,000) of debt was hedged by floating to fixed interest rate swaps.

An official increase in interest rates of 100 (30 June 2021: 100) basis points would have an adverse effect on profit before tax of $571,170 (30 June 2021: $283,300) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

### *Credit risk*

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

### *Liquidity risk*

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

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

*Financing arrangements*
Unused borrowing facilities at the reporting date:

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Bank overdraft | 46 | 326 |
| Bank loans | 22,883 | 21,670 |
| | 22,929 | 21,996 |

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 2.25 years (30 June 2021: 2.50 years).

For personal use only

## Note 28. Financial instruments (continued)

*Remaining contractual maturities*
The following tables detail the Consolidated Entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the Statement of Financial Position.

| Consolidated - 2022 | Weighted average interest rate % | 1 year or less $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Non-interest bearing $'000 | Remaining contractual maturities $'000 |
|---|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | | |
| *Non-interest bearing* | | | | | | | |
| Trade and other payables | | - | - | - | - | 19,089 | 19,089 |
| Other liabilities | | - | - | - | - | 7,875 | 7,875 |
| *Interest-bearing - variable* | | | | | | | |
| Bank overdraft | 7.00% | 1,954 | - | - | - | - | 1,954 |
| Bank loans | 5.00% | 3,856 | 3,856 | 80,971 | - | - | 88,683 |
| *Interest-bearing - fixed rate* | | | | | | | |
| Lease liability | 5.00% | 17,826 | 18,310 | 30,964 | 4,309 | - | 71,409 |
| Total non-derivatives | | 23,636 | 22,166 | 111,935 | 4,309 | 26,964 | 189,010 |
| **Derivatives** | | | | | | | |
| Interest rate swaps inflow | 1.19% | (60) | - | - | - | - | (60) |
| Interest rate swaps outflow | 1.26% | 63 | - | - | - | - | 63 |
| Total derivatives | | 3 | - | - | - | - | 3 |

| Consolidated - 2021 | Weighted average interest rate % | 1 year or less $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Non-interest bearing $'000 | Remaining contractual maturities $'000 |
|---|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | | |
| *Non-interest bearing* | | | | | | | |
| Trade and other payables | | - | - | - | - | 11,800 | 11,800 |
| Other liabilities | | - | - | - | - | 3,727 | 3,727 |
| *Interest-bearing - variable* | | | | | | | |
| Bank overdraft | 7.00% | 1,674 | - | - | - | - | 1,674 |
| Bank loans | 4.90% | 2,368 | 2,368 | 49,711 | - | - | 54,447 |
| *Interest-bearing - fixed rate* | | | | | | | |
| Lease liability | 5.00% | 13,331 | 11,790 | 22,111 | 4,306 | - | 51,538 |
| Total non-derivatives | | 17,373 | 14,158 | 71,822 | 4,306 | 15,527 | 123,186 |
| **Derivatives** | | | | | | | |
| Interest rate swaps inflow | 0.06% | (12) | (3) | - | - | - | (15) |
| Interest rate swaps outflow | 1.26% | 252 | 63 | - | - | - | 315 |
| Total derivatives | | 240 | 60 | - | - | - | 300 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

For personal use only

## Note 29. 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 - 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 |

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

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

*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. Contingent consideration of between $0 and $17,497,000 may become payable subject to the EBITDA achieved by the various acquired businesses..

For personal use only

## Note 29. Fair value measurement (continued)

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

| Consolidated | Contingent consideration $'000 |
|---|---|
| Balance at 1 July 2020 | 2,845 |
| Additions - new business combinations | 2,386 |
| Settlement of contingent consideration | (2,324) |
| Amounts reversed in year | (245) |
| Balance at 30 June 2021 | 2,662 |
| Additions - new business combinations | 5,552 |
| Settlement of contingent consideration | (489) |
| Fair value movements - through profit or loss | (1,550) |
| Balance at 30 June 2022 | 6,175 |

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

| Description | Unobservable inputs | Range (weighted average) | Sensitivity |
|---|---|---|---|
| Contingent consideration | Expected EBITDA (pre-AASB 16) of acquired clinics | $22,641 - $373,269 | Contingent consideration of between $0 and $17,497,000 may become payable subject to the EBITDA achieved by the various acquired businesses. |

***Accounting policy for fair value measurement***
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

For personal use only

## Note 30. Key management personnel disclosures

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

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| Short-term employee benefits | 1,929,423 | 1,846,768 |
| Post-employment benefits | 160,502 | 172,277 |
| Long-term benefits | 31,446 | 25,629 |
| Share-based payments | 380,561 | 279,383 |
| | 2,501,932 | 2,324,057 |

## Note 31. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO, the auditor of the Company:

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| *Audit and other assurance services - BDO Audit Pty Ltd* | | |
| Audit and review of the Group financial statements | 378,249 | 221,447 |
| *Non-audit services - BDO Services Pty Ltd* | | |
| Taxation and business advisory services | 532,562 | 232,447 |
| Total remuneration of BDO | 910,812 | 453,894 |

## Note 32. Contingent liabilities

The Consolidated Entity has given bank guarantees as at 30 June 2022 of $4,857,945 (30 June 2021: $3,032,151) to various landlords.

## Note 33. Related party transactions

*Parent entity*
Healthia Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 36.

*Associates*
Interests in associates are set out in note 13.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 30 and the remuneration report included in the Directors' report.

For personal use only

## Note 33. Related party transactions (continued)

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

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Consideration relating to the acquisition of businesses at the time of acquisition of The Optical Company: | | |
| Ordinary shares issued for the acquisition of businesses associated with director Colin Kangisser | - | 12,126,000 |
| Cash payment for the acquisition of businesses associated with director Colin Kangisser | - | 32,028,000 |
| Deferred cash payment for the acquisition of businesses associated with director Colin Kangisser | 1,065,044 | 1,537,085 |
| Other transactions: | | |
| Rent and outgoings paid to entities controlled by director Darren Stewart | 311,652 | 320,144 |
| Rent and outgoings paid to entities controlled by former director Anthony Ganter | 304,127 | 238,338 |
| Rent and outgoings paid to entities controlled by director and key management personnel Lisa Roach | 235,907 | 219,496 |
| Payment for bookkeeping services to an entity associated with Wesley Coote | 380,470 | 263,930 |
| Payment for orthotics and prosthetics to an entity associated with Darren Stewart | 72,556 | 336,378 |
| Rent and outgoings paid to entities controlled by key management personnel Dean Hartley* | - | 139,556 |

* Dean Hartley was classified as Key Management Personnel in 2021 only.

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

*Loans to/from related parties*
There were no loans to or from 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 34. Parent entity information

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

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| Profit after income tax | 4,333 | 1,812 |
| Total comprehensive income | 4,333 | 1,812 |

For personal use only

## Note 34. Parent entity information (continued)

*Statement of financial position*

| | Parent | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Total current assets | 38 | 60 |
| Total assets | 210,181 | 109,811 |
| Total current liabilities | 1,492 | 1,413 |
| Total liabilities | 78,622 | 50,614 |
| Equity | | |
| Issued capital | 101,302 | 34,667 |
| Share-based payments reserve | 3,115 | 1,720 |
| Retained profits/(accumulated losses) | (27,143) | 22,810 |
| Total equity | 131,559 | 59,197 |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 2 and within the different notes to the financial statement, except for the following:

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

## Note 35. Business combinations

### 2022

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

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

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

Initial consideration paid for the acquisitions was $87.65 million including $64.52 million in cash consideration, $15.66 million in Clinic Class Share consideration, $5.77 million in ordinary Healthia Limited share consideration and $1.70 million payable in deferred consideration. In addition, a fair value of $4.01 million payable in contingent consideration may become payable between 12 and 36 months after the completion date.



For personal use only

## Note 35. Business combinations (continued)

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

For the 12 month period ended 30 June 2022, BIM contributed revenue of $38.95 million and EBITDA of $5.93 million (less lease payments or pre-AASB 16 change) to the Group. If these acquisitions had been held for a full 12 months period (by extrapolating the actual performance), the acquired businesses would have contributed revenue of $57.16 million and EBITDA (less lease payments or pre-AASB 16 change) of $8.37 million to the Consolidated Entity.

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

For the 12 month period ended 30 June 2022, the acquired businesses contributed revenue of $1.35 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.07 million to the Consolidated Entity. If these acquisitions had been held for a full 12 month period (by extrapolating the actual performance), the acquired businesses would have contributed revenue of $2.28 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.12 million to the Consolidated Entity.

*Acquisition of Other Bodies and Minds Clinics*
The Consolidated Entity acquired an additional 11 physiotherapy and hand therapy clinics during the current period. Initial consideration paid for acquisitions was $8.77 million including $6.06 million in cash consideration, $2.71 million in Clinic Class Shares, with up to an additional $1.06 million in contingent consideration.

For the 12 month period ended 30 June 2022, the acquired businesses contributed revenue of $7.78 million and EBITDA (less lease payments or pre-AASB 16 change) of $1.47 million to the Consolidated Entity. If these acquisitions had been held for a full 12 month period (by extrapolating the actual performance), the acquired businesses would have contributed revenue of $11.82 million and EBITDA (less lease payments or pre-AASB 16 change) of $2.21 million to the Consolidated Entity.

*Acquisition of LensPro Group (Eyes and Ears Division)*

During the current period, the Consolidated Entity acquired the LensPro Optometrists Group comprising 8 optical stores. Initial consideration paid for acquisition was $6.49 million in cash consideration, with up to an additional $0.33 million in contingent consideration.

For the 12 month period ended 30 June 2022, the LensPro Group contributed revenue of $1.89 million and EBITDA of $0.30 million (less lease payments or pre-AASB 16 change) to the Consolidated Entity. If these acquisitions had been held for a full 12 month period (by extrapolating the actual performance), the acquired businesses would have contributed revenue of $5.65 and EBITDA of $0.89 million to the Consolidated Entity.

*Acquisition of Other Eyes and Ears stores*
The Consolidated Entity acquired additional 4 optical stores during the current period. Initial consideration paid for acquisition was $0.60 million including $0.56 million in cash consideration and $0.04 million in Clinic Class Shares, with up to an additional $0.13 million in contingent consideration.

For the 12 month period ended 30 June 2022, the acquired businesses contributed revenue of $1.37 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.25 million to the Consolidated Entity. If these acquisitions had been held for a full 12 month period (by extrapolating the actual performance), the acquired businesses would have contributed revenue of $1.82 million and EBITDA (less lease payments or pre-AASB 16 change) of $0.40 million to the Consolidated Entity.

*Acquisition of Other Feet and Ankles Clinics*
The Consolidated Entity acquired an additional 1 podiatry clinic during the current period. Total consideration paid for the acquisition was $0.016 million in cash consideration. The acquired clinic was merged into surrounding clinics owned by the Consolidated Entity and as such, no stand alone earnings are able to be reported for the period.

*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.

For personal use only

## Note 35. Business combinations (continued)

Details of the acquisitions are as follows:

| | Feet & Ankles Division | Bodies and Minds Division | | | Eyes & Ears Division | | |
|---|---|---|---|---|---|---|---|
| | Others Fair value $'000 | PhysioWorks Fair value $'000 | BIM Fair value $'000 | Others Fair value $'000 | LensPro Fair value $'000 | Others Fair value $'000 | Total $'000 |
| Trade receivables | - | - | 821 | - | - | - | 821 |
| Inventories | 1 | 49 | 764 | 146 | 291 | 103 | 1,354 |
| Other assets | - | 6 | 407 | 61 | 22 | - | 496 |
| Plant and equipment | 8 | 123 | 2,811 | 508 | 947 | 255 | 4,652 |
| Right-of-use assets | 18 | 432 | 13,146 | 2,813 | 2,529 | 466 | 19,404 |
| Brands | - | - | 4,600 | - | - | - | 4,600 |
| Customer lists | - | 109 | 3,400 | 396 | 300 | 80 | 4,285 |
| Deferred tax asset | 5 | 154 | 5,008 | 952 | 843 | 162 | 7,124 |
| Deferred tax liability | (5) | (162) | (4,680) | (963) | (849) | (164) | (6,823) |
| Employee benefits | - | (82) | (3,525) | (362) | (282) | (74) | (4,325) |
| Lease liability | (18) | (215) | (3,354) | (541) | (756) | (114) | (4,998) |
| Lease liability - non-current | - | (217) | (9,792) | (2,272) | (1,773) | (352) | (14,406) |
| Other liabilities | (11) | (56) | (2,109) | (175) | (107) | (53) | (2,511) |
| Net assets/(liabilities) acquired | (2) | 141 | 7,497 | 563 | 1,165 | 309 | 9,673 |
| Goodwill | 18 | 2,073 | 84,160 | 9,264 | 5,656 | 421 | 101,592 |
| Acquisition-date fair value of the total consideration transferred | 16 | 2,214 | 91,657 | 9,827 | 6,821 | 730 | 111,265 |
| Representing: | | | | | | | |
| Cash paid or payable to vendor | 16 | 1,807 | 64,515 | 6,062 | 6,492 | 564 | 79,456 |
| Healthia Limited shares issued to vendor | - | - | 5,771 | - | - | - | 5,771 |
| Contingent consideration | - | - | 4,010 | 1,055 | 329 | 128 | 5,522 |
| Deferred consideration | - | - | 1,700 | - | - | - | 1,700 |
| Clinic Class Shares issued to vendor(s) | - | 407 | 15,661 | 2,710 | - | 38 | 18,816 |
| | 16 | 2,214 | 91,657 | 9,827 | 6,821 | 730 | 111,265 |
| Cash used to acquire business, net of cash acquired: | | | | | | | |
| Acquisition-date fair value of the total consideration transferred | 16 | 2,214 | 91,657 | 9,827 | 6,821 | 730 | 111,265 |
| Less: contingent consideration | - | - | (4,010) | (1,055) | (329) | (128) | (5,522) |
| Less: deferred consideration | - | - | (1,700) | - | - | - | (1,700) |
| Less: shares issued by Company as part of consideration | - | - | (5,771) | - | - | - | (5,771) |
| Less: Clinic Class Shares issued to vendor(s) | - | (407) | (15,661) | (2,710) | - | (38) | (18,816) |
| Net cash used | 16 | 1,807 | 64,515 | 6,062 | 6,492 | 564 | 79,456 |

For personal use only

## Note 35. Business combinations (continued)

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.

### 2021

*Acquisition of the Optical Company (Eyes and Ears Division)*
Healthia successfully completed the acquisition of The Optical Company ('TOC') on 30 November 2020, representing 41 optical stores and eyewear frame distributor, AED (note: the Consolidated Entity's results for the period ending 30 June 2021, include 7 months of TOC trading).

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

Initial consideration paid for the acquisitions was $44.16 million including $32.03 million in cash consideration, $12.13 million in ordinary Healthia Limited share consideration, with up to an additional $2.60 million payable in deferred consideration which is due in 12 months after the completion date.

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

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

*Acquisition of CQ Physio (Bodies and Minds Division)*
The Consolidated Entity acquired the business named CQ Physiotherapy, on 16 October 2020, comprising 3 physiotherapy clinics during the current period. Initial consideration paid for the acquisition was $4.66 million including $3.67 million in cash consideration and $0.99 million in Clinic Class Share consideration.

*Acquisition of Other Bodies and Minds Clinics*
The Consolidated Entity acquired an additional 7 physiotherapy clinics during the current period. Initial consideration paid for the acquisition was $3.97 million including $3.38 million in cash consideration, $0.59 million in Clinic Class Share consideration, with up to an additional $0.92 million payable in contingent consideration.

*Acquisition of Natural Fit (Feet and Ankles Division)*
The Consolidated Entity acquired the business named Natural Fit on 17 December 2020, comprising 6 retail footwear stores during the current period. Initial consideration paid for the acquisition was $4.21 million including $2.89 million in cash consideration, $1.32 million in ordinary Healthia Limited share consideration, with up to an additional $1.35 million payable in contingent consideration.

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

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

*Acquisition of Other Eyes and Ears Clinics*
The Consolidated Entity acquired an additional optometry clinic during the current period. Consideration paid for the acquisition was $0.26 million in cash consideration, with up to an additional $0.11 million payable in contingent consideration.

For personal use only

## Note 35. 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. 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.

For personal use only

## Note 35. Business combinations (continued)

Details of the acquisitions are as follows:

| | Eyes & Ears Division | | Bodies and Minds Division | | Feet & Ankles Division | | |
|---|---|---|---|---|---|---|---|
| | TOC | Others | CQ Physio | Others | Natural Fit | Others | |
| | Fair value $'000 | Fair value $'000 | Fair value $'000 | Fair value $'000 | Fair value $'000 | Fair value $'000 | Total $'000 |
| Cash and cash equivalents | 2,577 | - | - | - | 2 | - | 2,579 |
| Trade receivables | 886 | - | - | - | - | - | 886 |
| Inventories | 2,316 | 46 | 30 | 43 | 1,139 | - | 3,574 |
| Other current assets | 48 | - | 12 | 37 | 119 | 2 | 218 |
| Plant and equipment | 3,807 | 53 | 138 | 497 | 103 | 56 | 4,654 |
| Right-of-use assets | 10,175 | 234 | 971 | 2,242 | 2,768 | 111 | 16,501 |
| Patents and trademarks | 234 | - | - | - | - | - | 234 |
| Customer lists | 1,350 | 30 | 258 | 225 | 384 | 8 | 2,255 |
| Deferred tax asset | 3,864 | 68 | 397 | 793 | 839 | 34 | 5,995 |
| Trade payables | (2,287) | - | - | - | - | - | (2,287) |
| Other payables | (414) | - | - | (34) | - | - | (448) |
| Provision for income tax | (719) | - | - | - | - | - | (719) |
| Deferred tax liability | (3,698) | (77) | (369) | (740) | (946) | (36) | (5,866) |
| Employee benefits | (1,825) | (2) | (350) | (401) | (30) | (2) | (2,610) |
| Lease liability | (10,171) | (225) | (971) | (2,243) | (2,768) | (111) | (16,489) |
| Other liabilities | (1,878) | (9) | (33) | (54) | (98) | (10) | (2,082) |
| Less: non-controlling interest | (536) | - | - | - | - | - | (536) |
| Net assets acquired | 3,729 | 118 | 83 | 365 | 1,512 | 52 | 5,859 |
| Goodwill | 43,027 | 247 | 4,576 | 4,530 | 4,049 | 48 | 56,477 |
| Acquisition-date fair value of the total consideration transferred | 46,756 | 365 | 4,659 | 4,895 | 5,561 | 100 | 62,336 |
| Representing: | | | | | | | |
| Cash paid or payable to vendor | 32,028 | 254 | 3,669 | 3,376 | 2,889 | 100 | 42,316 |
| Healthia Limited shares issued to vendor | 12,126 | - | - | - | 1,322 | - | 13,448 |
| Contingent consideration | - | 111 | - | 925 | 1,350 | - | 2,386 |
| Deferred consideration | 2,602 | - | - | - | - | - | 2,602 |
| Clinic Class Shares issued to vendor | - | - | 990 | 594 | - | - | 1,584 |
| | 46,756 | 365 | 4,659 | 4,895 | 5,561 | 100 | 62,336 |
| Cash used to acquire business, net of cash acquired: | | | | | | | |
| Acquisition-date fair value of the total consideration transferred | 46,756 | 365 | 4,659 | 4,895 | 5,561 | 100 | 62,336 |
| Less: cash and cash equivalents | (2,577) | - | - | - | (2) | - | (2,579) |
| Less: deferred / contingent consideration | (2,602) | (111) | - | (925) | (1,350) | - | (4,988) |
| Less: Healthia Limited shares issued to vendor | (12,126) | - | - | - | (1,322) | - | (13,448) |
| Less: Clinic Class Shares issued to vendor | - | - | (990) | (594) | - | - | (1,584) |
| Net cash used | 29,451 | 254 | 3,669 | 3,376 | 2,887 | 100 | 39,737 |

For personal use only

## Note 35. Business combinations (continued)

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.

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

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

The trade receivables comprise gross contractual amounts due of $821,419 (30 June 2021: $886,000), which are expected to be collectable.

Acquisition and integration related costs of $7,402,000 (30 June 2021: $4,208,000) are included in the consolidated statement of profit or loss and other comprehensive income.

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

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

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

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

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

For personal use only

## Note 35. Business combinations (continued)

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 36. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest 2022 % | 2021 % |
|---|---|---|---|
| My FootDr (Aust) Limited | Australia | 100% | 100% |
| Allsports (Aust) Limited | Australia | 100% | 100% |
| Extend Rehab Pty Ltd | Australia | 100% | 100% |
| iOrthotics Pty Ltd | Australia | 100% | 100% |
| D.B.S. AUSTRALIA PTY. LTD. | Australia | 75% | 75% |
| Allsports Physiotherapy Forest Lake Pty Ltd | Australia | 100% | 100% |
| Allsports Pilates Sherwood Pty Ltd | Australia | 100% | 100% |
| Southside Manipulative Physiotherapy Centre Pty Ltd | Australia | 100% | 100% |
| Allsports Physiotherapy The Gap Pty Ltd | Australia | 100% | 100% |
| Allsports Physiotherapy Toowong Pty Ltd | Australia | 100% | 100% |
| My FootDr (Brookwater) Pty Ltd | Australia | 100% | 100% |
| My FootDr (Camp Hill) Pty Ltd | Australia | 100% | 100% |
| My FootDr Granda Pty Ltd | Australia | 100% | 100% |
| My FootDr (Fortitude Valley) Pty Ltd | Australia | 100% | 100% |
| My FootDr (Indooroopilly) Pty Ltd | Australia | 100% | 100% |
| BIM Physiotherapy Group Holding Ltd (formerly My FootDr (Mackay) Pty Ltd) | Australia | 100% | 100% |
| My FootDr (Newmarket) Pty Ltd | Australia | 100% | 100% |
| My FootDr (Oxenford) Pty Ltd | Australia | 100% | 100% |
| My FootDr (Redcliffe) Pty Ltd | Australia | 100% | 100% |
| My FootDr (Shailer Park) Pty Ltd | Australia | 100% | 100% |
| MyFootDr Administration Pty Ltd | Australia | 100% | 100% |
| Orthema Australasia Pty Ltd | Australia | 100% | 100% |
| Footwear Enterprises Pty Ltd | Australia | 100% | 100% |
| PinPointe FootLaser Australia Pty Ltd | Australia | 100% | 100% |
| MFD IP Pty Ltd | Australia | 100% | 100% |
| Mackay Foot Centre Pty Ltd as trustee for the Mackay Foot Centre Unit Trust | Australia | 100% | 100% |
| Balpod Holdings Pty Ltd | Australia | 100% | 100% |
| My FootDr (Cleveland) Pty Ltd | Australia | 100% | 100% |
| Foot Care Solutions Australia Pty Ltd | Australia | 75% | 75% |
| Trepar Pty Ltd | Australia | 100% | 100% |
| Brisbane Podiatry & Footwear Pty Ltd as trustee for Brisbane Podiatry & Footwear Unit Trust | Australia | 100% | 100% |

For personal use only

## Note 36. Interests in subsidiaries (continued)

| Name | Principal place of business / Country of incorporation | Ownership interest 2022 % | Ownership interest 2021 % |
|---|---|---|---|
| Foot Focus (Aust) Pty Ltd | Australia | 100% | 100% |
| Foot Focus (NSW) Pty Ltd | Australia | 100% | 100% |
| Foot Focus 4 Kids Pty Ltd | Australia | 100% | 100% |
| Foot Focus Narellan Pty Ltd | Australia | 100% | 100% |
| Healthia USA INC | United States | 100% | 100% |
| iOrthotics USA LLC | United States | 58% | 58% |
| Australian Eyewear Distributors Pty Ltd | Australia | 100% | 100% |
| TOC Hearing Pty Ltd | Australia | 100% | 100% |
| Blink Optical Gordon Pty Ltd | Australia | 100% | 100% |
| Blink Optical Pty Ltd | Australia | 100% | 100% |
| Blink Optical Robina Pty Ltd | Australia | 100% | 100% |
| Blink Optical St Ives Pty Ltd | Australia | 100% | 100% |
| Easer Pref Pty Ltd | Australia | 100% | 100% |
| Eyewear Australia (S.E. Regional) Pty Ltd | Australia | 100% | 100% |
| Glasses Galore Pty Ltd | Australia | 100% | 100% |
| Kpfe - Malop St Pty Ltd | Australia | 100% | 100% |
| Kpfe - Packington Street Pty Ltd | Australia | 100% | 100% |
| Leopold Optical Pty Ltd | Australia | 100% | 100% |
| Level 28 Pty Ltd | Australia | 100% | 100% |
| Mount Gambier Optical Pty Ltd | Australia | 100% | 100% |
| Point Cook Optical Pty Limited | Australia | 100% | 100% |
| Stacey & Stacey Pty Ltd | Australia | 100% | 100% |
| The Optical Company (International) Pty Ltd | Australia | 100% | 100% |
| The Optical Company (NSW) Pty Ltd | Australia | 100% | 100% |
| The Optical Company (Pacific) Pty Ltd | Australia | 100% | 100% |
| The Optical Company Pty Ltd | Australia | 100% | 100% |
| The Optical Company (Aust) Pty Ltd | Australia | 100% | 100% |
| Motion Health Group Holding Ltd | New Zealand | 100% | - |
| BIM IP Pty Ltd | Australia | 100% | - |

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Parent Ownership interest 2022 % | Parent Ownership interest 2021 % | Non-controlling interest Ownership interest 2022 % | Non-controlling interest Ownership interest 2021 % |
|---|---|---|---|---|---|
| D.B.S, Australia Pty Ltd | Australia | 75% | 75% | 25% | 25% |
| Foot Care Solutions Australia Pty Ltd | Australia | 75% | 75% | 25% | 25% |
| iOrthotics USA LLC | United States | 58% | 58% | 42% | 42% |

For personal use only

## Note 37. Cash flow information

*Reconciliation of profit after income tax to net cash from operating activities*

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Profit after income tax expense for the year | 343 | 9,177 |
| Adjustments for: | | |
| Depreciation and amortisation | 21,026 | 14,200 |
| Share-based payments | 1,395 | 1,180 |
| Fair value movements in interest rate swap instrument | - | 16 |
| Fair value movement of contingent consideration | (1,550) | - |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (2,604) | 2,405 |
| Increase in inventories | (1,173) | (695) |
| Increase in deferred tax assets | (3,019) | (1,651) |
| Increase in prepayments | (1,038) | (508) |
| Decrease/(increase) in other operating assets | 535 | (542) |
| Increase in trade and other payables | 3,097 | 1,081 |
| Increase in provision for income tax | 3,765 | 141 |
| Increase/(decrease) in employee benefits | (507) | 588 |
| (Decrease)/Increase in other liabilities and provisions | (3,074) | 886 |
| Net cash from operating activities | 17,196 | 26,278 |

*Changes in liabilities arising from financing activities*

| Consolidated | Bank loans $'000 | Lease liabilities $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 July 2020 | 26,735 | 27,752 | 54,487 |
| Net cash from/(used in) financing activities | 21,595 | (10,044) | 11,551 |
| Acquisition of leases | - | 9,922 | 9,922 |
| Changes through business combinations (note 35) | - | 16,489 | 16,489 |
| Balance at 30 June 2021 | 48,330 | 44,119 | 92,449 |
| Net cash from/(used in) financing activities | 29,065 | (14,877) | 14,188 |
| Acquisition of leases | - | 15,322 | 15,322 |
| Changes through business combinations (note 35) | - | 19,404 | 19,404 |
| Other changes | (278) | 1 | (277) |
| Balance at 30 June 2022 | 77,117 | 63,969 | 141,086 |

## Note 38. Earnings per share

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Profit after income tax | 343 | 9,177 |
| Non-controlling interest | (3,672) | (4,020) |
| Profit/(loss) after income tax attributable to the owners of Healthia Limited | (3,329) | 5,157 |

For personal use only

## Note 38. Earnings per share (continued)

| | Number '000 | Number '000 |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 117,892 | 79,627 |
| Adjustments for calculation of diluted earnings per share: | | |
| Performance rights* | - | 3,204 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 117,892 | 82,831 |

| | Cents | Cents |
|---|---|---|
| Basic earnings per share | (2.82) | 6.48 |
| Diluted earnings per share | (2.82) | 6.23 |

* 3,943,000 performance rights have been excluded from the above calculation of diluted earnings per share for the current year as the Consolidated Entity has incurred losses meaning their inclusion would be anti-dilutive.

### *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.

### Subsequent event - Capital Raising

On 8 September 2022, the Consolidated Entity announced that it was raising up to $15.0 million via an accelerated non-renounceable pro-rata entitlement offer. The offer comprised an Institutional Entitlement Offer to raise approximately $10 million and a Retail Entitlement Offer to raise approximately $5 million.

On 12 September 2022, the Consolidated Entity announced the successful completion of the Institutional Entitlement Offer and 6,718,785 new ordinary shares were issued at $1.47 per share, raising a total of approximately $10 million.

The Retail Entitlement Offer closes on 30 September 2022 and an amount of up to $5 million is expected to be raised from this offer. The Retail Entitlement Offer is not underwritten.

## Note 39. Share-based payments

### Performance rights

On 19 November 2021, following shareholder approval at the 2022 Annual General Meeting, 268,500 unlisted performance rights were granted to Directors (187,500 - Wesley Coote, 36,000 - Anthony Ganter and 45,000 - Colin Kangisser), with a nil grant and exercise price. The performance rights will vest on 18 November 2024 (subject to satisfaction of the relevant vesting conditions) and expire on 31 December 2024. The vesting conditions include a number of performance and service conditions.

For personal use only

## Note 39. Share-based payments (continued)

Details of the performance rights are as follows:

| | 2021 Grant |
|---|---|
| Grant date: | 19 November 2021 |
| Grant price: | $nil |
| Exercise price: | $nil |
| Vesting date: | 18 November 2024 |
| Expiry date: | 31 December 2024 |
| Restriction on shares issued on exercise: | Can only be traded in accordance with Securities Trading Policy and insider trading laws |

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

***Vesting conditions performance rights granted 19 November 2021***

*Executive and Senior Manager Tranche* - 923,500 of the 2021 Performance Rights (Tranche 1 Performance Rights) which will vest in accordance with the Performance Rights Plan Rules is dependent on, and subject to, satisfaction of the following conditions:

| | |
|---|---|
| Service condition | The performance rights will be exercisable upon satisfaction of the Service condition, being continuous employment with the Company from Grant Date until the Vesting Date. |
| EPS Growth condition | The Company's compounding annual growth in underlying Earnings Per Share (underlying EPS) for the period from 1 July 2021 to 30 June 2024 greater than 10% per annum.<br><br>The underlying EPS results to be used will be the Basic EPS recorded in the Company's audited financial statements in the relevant years, adjusted for one-off and non-recurring items and the amortisation of customer lists, as determined by the Board in its discretion.<br><br>50% of the Performance Rights will be exercisable if this condition is achieved. |
| Total Shareholder Return condition | Total Shareholder Return (TSR) to exceed 150% for the period from 1 July 2021 to 30 June 2024, with TSR calculated as follows:<br><br>TSR = (Price End - Price Begin + Dividends)/Price Begin<br><br>Where:<br>Price Begin = share price at 1 July 2021;<br>Price End = share price at 30 June 2024; and<br>Dividends = total dividends paid per share during the period from 1 July 2021 to 30 June 2024.<br><br>50% of the performance rights will be exercisable if this condition is achieved. |

For personal use only

## Note 39. Share-based payments (continued)

*Other Key Personnel* - 280,000 of the 2021 Performance Rights (Tranche 2 Performance Rights) which will vest in accordance with the Performance Rights Plan Rules is dependent on, and subject to, satisfaction of the following conditions:

| | |
|---|---|
| Service condition | The performance rights will be exercisable upon satisfaction of the Service condition, being continuous employment with the Company from Grant Date until the Vesting Date.<br><br>50% of the Performance Rights will be exercisable if this condition is achieved. |
| EBITDA Growth Condition | The Company's compounding annual growth in underlying earnings before interest tax depreciation and amortisation of Healthia's Eyes & Ears Division (underlying EBITDA) for the period 1 July 2021 to 30 June 2024 greater than 10% per annum. The underlying EBITDA results to be used will be the EBITDA recorded in the Company's audited financial statements in the relevant years, adjusted for one-off and non-recurring items and the amortisation of customer lists, as determined by the Board in its discretion.<br><br>50% of the performance rights will be exercisable if this condition is achieved. |

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

Where shares are issued upon the vesting and exercise of the performance rights (within the periods detailed above), those shares will rank equally with existing ordinary shares of Healthia Limited.

To participate in a dividend, the ordinary shares must be issued prior to the record date for the dividend.

Set out below are summaries of performance rights granted under the plan:

2022

| Grant date | Expiry date | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|
| 27/11/2019 | 31/10/2022 | 2,543,358 | - | - | - | 2,543,358 |
| 30/10/2020 | 31/10/2023 | 378,500 | - | - | - | 378,500 |
| 01/12/2020 | 31/10/2023 | 282,500 | - | - | - | 282,500 |
| 19/11/2021 | 31/12/2024 | - | 1,203,500 | - | - | 1,203,500 |
| | | 3,204,358 | 1,203,500 | - | - | 4,407,858 |

2021

| Grant date | Expiry date | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other* | Balance at the end of the year |
|---|---|---|---|---|---|---|
| 27/11/2019 | 31/10/2022 | 2,678,358 | - | - | (135,000) | 2,543,358 |
| 30/10/2020 | 31/10/2023 | - | 378,500 | - | - | 378,500 |
| 01/12/2020 | 31/10/2023 | - | 282,500 | - | - | 282,500 |
| | | 2,678,358 | 661,000 | - | (135,000) | 3,204,358 |

* Performance rights of 135,000 have been cancelled due to the Service condition not being met.

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.08 years (30 June 2021: 1.54 years).

For personal use only

## Note 39. Share-based payments (continued)

Set out below are equity settled payments made during the year:

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| *Equity settled payments* | | |
| Equity settled payments other | 1,395,000 | 1,180,000 |

***Accounting policy for share-based payments***
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

For personal use only

## Note 40. Events after the reporting period

### *Capital Raising*

On 8 September 2022, the Consolidated Entity announced that it was raising up to $15.0 million via an accelerated non-renounceable pro-rata entitlement offer. The offer comprised an Institutional Entitlement Offer to raise approximately $10 million and a Retail Entitlement Offer to raise approximately $5 million.

On 12 September 2022, the Consolidated Entity announced the successful completion of the Institutional Entitlement Offer and approximately $10 million was receipted by the Consolidated Entity on 16 September 2022.

The Retail Entitlement Offer closes on 30 September 2022 and an amount of up to $5 million is expected to be raised from this offer. The Retail Entitlement Offer is not underwritten.

This capital raising will provide additional cash reserves to fund near term acquisition opportunities and provide additional financial flexibility.

### *Acquisitions*

On 8 September 2022, the Consolidated Entity announced that it had entered into binding agreements to acquire the following businesses (together, the 'Acquisitions'), comprising:

- Sunshine Coast Hand Therapy, a hand therapy business located on the Sunshine Coast, Queensland (2 clinics);
- Watsonia Physiotherapy, a physiotherapy business located in Watsonia, Victoria (1 clinic); and
- Corio Bay Health Group, 9 allied health businesses located throughout south-west and south-east Melbourne and Geelong, Victoria.

Settlement has been reached for Sunshine Coast Hand Therapy and it is expected that all conditions precedent will be satisfied and settlement reached for each of Watsonia Physiotherapy and Corio Bay Health Group on or before 30 October 2022.

The Acquisitions are expected to contribute the following annualised earnings[(1)] to Healthia:

| | $'000 |
|---|---|
| Revenue(u)[(1)] | 8,880.00 |
| EBITDA(u)[(2)(3)] | 1,870.00 |

Total consideration for the Acquisitions (subject to completion adjustments[(4)]) is as follows:

| | $'000 |
|---|---|
| Upfront cash consideration | 6,610.00 |
| Issue of Clinic Class Shares[(5)] | 1,680.00 |
| Total upfront consideration | 8,290.00 |

In addition to the upfront consideration, contingent consideration[(6)] may become payable as cash consideration, subject to the achievement of pre-defined conditions.

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

(2) EBITDA(u) means underlying earnings before interest, tax, depreciation and amortisation, removing the impacts of AASB16. EBITDA(u) reflects EBITDA as adjusted to reflect the Directors' assessment of the result for the ongoing business activities, in accordance with AICD/Finsia principles. EBITDA(u) has not been audited.

(3) EBITDA(u) includes the approximate 20% economic interest continued to be owned by Clinic Class Shareholders.

(4) Completion adjustments are agreed on a deal-by-deal basis and can include adjustments for the value of inventory held at completion and the value of employee liabilities transferring to Healthia as the acquirer.

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

(6) Contingent consideration it based on future performance of the business with the maximum amount payable in the future $3.76 million.

No other matter or circumstance has arisen since 30 June 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.

For personal use only

**Healthia Limited and its Controlled Entities**
**Directors' declaration**
**30 June 2022**

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of its performance for the financial 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.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Dr Glen Frank Richards
Director

30 September 2022

For personal use only

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

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

For personal use only

# INDEPENDENT AUDITOR'S REPORT

To the members of Healthia Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Healthia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

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

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

**Impairment assessment of Goodwill and Other Intangible Assets and determination of Cash Generating Units ("CGU's")**

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| The Group's disclosures in respect to intangible assets, including the impairment assessments of goodwill and other intangible assets are included in Note 16.<br><br>The carrying value of intangible assets represent a significant asset of the Group.<br><br>The Group is required to annually test the amount of goodwill and indefinite useful life intangible assets for impairment and assess other intangible assets for impairment indicators.<br><br>This annual impairment test was significant to our audit because the goodwill and intangible assets balance is material to the financial statements and because management's assessment process, including the determination of CGU's, is complex, highly judgmental and includes estimates and assumptions relating to expected future market or economic conditions. | Our procedures included, amongst others:<br><br>• Evaluating management's determination of the Group's Cash Generating Units ("CGU's") to ensure they are appropriate, including being at a level no higher than the operating segments of the entity<br><br>• Evaluating management's process regarding the valuation of the Group's goodwill and other intangible assets<br><br>• Assessing the Group's assumptions and estimates relating to forecast revenue, costs, capital expenditure and discount rates used to determine the recoverable amount of its assets<br><br>• Assessing the historical accuracy of forecasting of the Group by comparing the current year actual results with FY22 figures included in prior year forecasts to consider whether any forecasts included assumptions, that with hindsight, had been optimistic<br><br>• Involving our internal specialists to assess the discount rates and terminal growth rates against comparable market information<br><br>• Challenging key assumptions by performing sensitivity analysis on the growth rates and discount rate assumptions used. |

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

**Business combination accounting including determination of goodwill**

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| During the year, the group acquired the Back in Motion Group ('BIM'), comprising the businesses of 63 physiotherapy clinics and the shares in BIM IP Pty Ltd, which owns the brands, trademarks and other intellectual property. The group also acquired a number of other physiotherapy clinics, hand therapy clinics, optical stores and a podiatry clinic.<br><br>As disclosed in Note 35, as part of these business combination transactions, the Group recognised the following additional intangible assets:<br>• Goodwill<br>• Customer lists<br>• Brands<br><br>Business combinations is a key audit matter due to the significant audit effort to test the group's acquisitions during the year and the level of judgement applied in evaluating management's assessment of goodwill allocated in the purchase. | Our procedures included, amongst others:<br>• Obtaining an understanding of the transactions including an assessment of the accounting acquirer and whether the transactions constituted business or asset acquisitions<br>• Reviewing purchase documentation including contracts and business sale agreements and obtaining a detailed understanding of the acquired businesses<br>• Assessing the appropriateness of the valuation methodology of the assets acquired<br>• Reviewing management's assessment of the fair value of the consideration paid and the recognition of any contingent and deferred consideration upon the acquisition date<br>• Evaluating management's assessment of the identifiable assets and liabilities acquired including reviewing independent intangible asset valuation for the acquisition of BIM obtained by management<br>• Engaging with internal experts on the appropriateness of the calculation of identifiable intangible assets<br>• Assessing the adequacy of the Group's disclosures of the acquisitions. |

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

BDO

**Going Concern basis of preparation of financial statements**

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| The Group's disclosures around the basis of preparation and the going concern assumption are included in Note 2, which details the working capital deficiency position.<br><br>As detailed in Note 2 the financial statements have been prepared by the Group on a going concern basis.<br><br>Going concern was considered a key audit matter due to this matter requiring significant auditor effort related to the working capital deficiency as at 30 June 2022, the assessment of compliance with loan covenants and associated waivers obtained by the Group and the assessment of the Group's forecast cash flows (for a period of at least 12 months from the audit report date). | Our procedures included, amongst others:<br><br>• Obtaining and evaluating management's assessment of the Group's ability to continue as a going concern for at least 12 months from the date of our auditor's report<br><br>• Evaluating management's cash-flow forecasts and challenging management's assumptions applied around future cash flows<br><br>• Assessing the impact of the capital raising completed subsequent to balance date<br><br>• Obtaining and reading the terms associated with the Group's financing arrangements, including covenant waivers obtained by the Group and assessing the amount of facilities available for drawdown over the forecast period<br><br>• Assessing the ability of the Group to comply with financial covenants for at least the next 12 months, including reviewing covenant waivers received in advance<br><br>• Assessing management's assumptions in the cash flow forecasts to assess whether current cash levels along with expected cash inflows and expenditure can sustain the operations of the Group for a period of at least 12 months from the date of this audit report<br><br>• Assessing the appropriateness of the Group's going concern basis of preparation disclosures in the financial statements for consistency with Australian accounting Standards. |

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 30 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Healthia Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit Pty Ltd**

BDO

**T R Mann**
Director

Brisbane, 30 September 2022

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

**Healthia Limited and its Controlled Entities**
**Shareholder information**
**30 June 2022**

The shareholder information set out below is current as at 28 September 2022.

## Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | |
|---|---|---|
| | Number of holders | % of total shares issued |
| 1 to 1,000 | 661 | 26.00 |
| 1,001 to 5,000 | 927 | 37.00 |
| 5,001 to 10,000 | 349 | 14.00 |
| 10,001 to 100,000 | 484 | 19.00 |
| 100,001 and over | 105 | 4.00 |
| | 2,526 | 100.00 |
| Holding less than a marketable parcel | - | - |

## Equity security holders

*Twenty largest quoted equity security holders*
The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 21,511,708 | 16.03 |
| CITICORP NOMINEES PTY LIMITED | 14,488,035 | 10.80 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 8,748,439 | 6.52 |
| BELAROO PTY LTD | 6,963,607 | 5.19 |
| BRIDELL PTY LIMITED | 5,066,600 | 3.77 |
| MAXIMUM (NQ) PTY LTD | 4,413,094 | 3.29 |
| NATIONAL NOMINEES LIMITED | 3,980,657 | 2.96 |
| CHESTER-LGL PTY LTD | 3,466,721 | 2.58 |
| DLH TRADING PTY LTD | 3,445,465 | 2.56 |
| SMITH-ECHEV MANAGEMENT SERVICES PTY LTD | 3,069,444 | 2.28 |
| BNP PARIBAS NOMS PTY LTD | 2,873,228 | 2.14 |
| ROM GROUP PTY LTD | 2,373,267 | 1.79 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 2,098,796 | 1.56 |
| MAXIMUM (NQ) PTY LTD | 1,815,670 | 1.35 |
| WILLEESE PTY LIMITED | 1,522,941 | 1.13 |
| GF & LH RICHARDS SUPER PTY LTD | 1,177,808 | 0.87 |
| DPC INVESTMENTS PTY LTD | 967,317 | 0.72 |
| LEGGS PTY LTD | 962,317 | 0.71 |
| HGT INVESTMENTS PTY LTD | 910,000 | 0.67 |
| SARWILL PTY LTD | 866,679 | 0.64 |
| | 90,721,793 | 67.56 |

*Unquoted equity securities*
There are no unquoted equity securities.

For personal use only

**Healthia Limited and its Controlled Entities**
**Shareholder information**
**30 June 2022**

## Substantial holders

Substantial holders in the Company are set out below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| Wilson Asset Management Group | 10,670,424 | 7.96 |
| MA FINANCIAL GROUP LIMITED | 9,165,154 | 6.83 |
| Mr Darren L Stewart | 8,021,333 | 5.98 |
| Glen Frank Richards | 7,966,777 | 5.56 |

## Voting rights

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*
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.

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

There are no other classes of equity securities.

## Securities subject to voluntary escrow

| Class | Expiry date | Number of shares |
|---|---|---|
| Ordinary shares | 17 October 2022 | 1,065,790 |
| Ordinary shares | 30 November 2022 | 5,066,600 |
| Ordinary shares | 1 December 2022 | 117,369 |
| | | 6,249,759 |

## Share Registry

Securityholders who have any questions regarding their holding should contact the company's registrar:

Link Market Services Limited
P: 1300 554 474 (in Australia) or +61 1300 554 474 (from overseas)
F: +61 2 9287 0303
E: registrars@linkmarketservices.com.au
www.investorcentre.linkmarketservices.com.au

For personal use only