A fully underwritten initial public offer of 26,849,009 ordinary shares at an issue price per share of $1.00 to raise approximately $26.8 million, together with a Clinician Participation Offer of up to 7,542,054 ordinary shares at issue price per share of $1.00 to be issued to Eligible Clinicians as consideration under the Acquisition Agreements.

This Prospectus is an important document and should be read in its entirety. You should seek professional advice if you have any questions about the Shares being offered under this Prospectus, or any matter relating to an investment in the Company. An investment in the Shares offered by this Prospectus is considered to be speculative.

Lead Manager and Underwriter
Broker Firm Offer, Institutional Offer and Chairman’s List Offer

Canaccord Genuity (Australia) Limited
Important notices

This Prospectus is an important document and should be read in its entirety. You should seek professional advice if you have any questions about the Shares being offered under this Prospectus, or any matter relating to an investment in the Company. An investment in the Shares is considered to be speculative.

Offer
The offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares (Shares) in the Company (Offer). No Shares will be issued under the Offer unless $26.8 million has been raised.

Lodgement and Listing
This Prospectus is dated 31 July 2018 (Prospectus Date) and was lodged with ASIC on that date.

The Company will apply to ASX within seven days after the Prospectus Date for admission to the Official List and for quotation of its Shares on the ASX. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry Date
This Prospectus expires on the date which is 13 months after the Prospectus Date. No Shares will be allotted or transferred on the basis of this Prospectus after the expiry date.

Incentive Fee
To the extent that an incentive fee is paid to the Underwriter in Shares at the Issue Price, the offer and issue of those Shares will be made under this Prospectus. See section 8.1.1 for further details.

Exposure Period
Under the Corporations Act, the Company must not process Applications during the seven-day period after the date of lodgement of this Prospectus with ASIC, noting that this period may be extended by ASIC for up to a further seven days (Exposure Period).

This Exposure Period enables the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be given to Applications received during the Exposure Period.

Note to Applicants
This Prospectus provides information for investors to decide if they wish to invest in the Company. You should read this document carefully and in its entirety before deciding whether to invest in Healthia. The information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Group or the Shares offered under this Prospectus. You should consider the assumptions underlying the Financial Information (see Section 4) and the risk factors that could affect the business, financial condition and financial performance of the Group (see Section 5). Consider these risks carefully in light of your personal financial circumstances and investment objectives. Seek professional advice from your accountant, stockbroker, lawyer, financial advisor or other professional advisor before deciding whether to invest. The Offer is not financial product advice and does not take into account the investment objectives, financial situation or needs of particular investors. The Company is not licensed to provide financial product advice in respect of Shares or other financial products.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant financial advisor or other professional advisor.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax advisor.

Information about the Group
This Prospectus contains certain information about the Group, its directors, senior executives and business. It also contains details of their investment approach, strategy and philosophy.

Disclaimer
No person is authorised by the Company or the Underwriter to give any information or make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as
having been authorised by the Company, the Directors, the Underwriter or any other person in connection with the Offer. The Group’s business, financial condition, results of operations and prospects may have changed since the Prospectus Date. Except as required by, and only to the extent required, neither the Company nor any person associated with the Company or the Offer guarantees or warrants the future performance of the Company, the return on an investment made under this Prospectus, the repayment of capital or the payment of dividends on the Shares.

This Prospectus includes information regarding the Group’s past performance. Past performance should not be relied upon as being indicative of future performance.

This Prospectus contains forward-looking statements concerning the Group's business, operations, financial performance and condition as well as the Group’s plans, objectives and expectations. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as ‘aim’, ‘anticipate’, ‘assume’, ‘believe’, ‘could’, ‘due’, ‘estimate’, ‘expect’, ‘forecasts’, ‘guidance’, ‘goal’, ‘intend’, ‘may’, ‘objective’, ‘outlook’, ‘plan’, ‘predict’, ‘potential’, ‘positioned’, ‘should’, ‘target’, ‘will’, ‘would’ and other similar expressions that are predictions of or indicate future events and future trends. These forward-looking statements are based on current expectations, forecasts and projections about the Group’s business and the industry in which the Group operates and management’s beliefs and assumptions.

Any forward-looking statements are subject to various risks, that are in some cases beyond the Group’s control and which could cause the Group’s actual results to differ materially from the results expressed or anticipated in these statements. These forward-looking statements are provided as a general guide only and are not guarantees of future performance or development. As a result, any or all of the Group’s forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Sections 1 and 5.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as at the Prospectus Date. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with ASX after the Prospectus Date.

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

Independent Limited Assurance Report on Historical Financial Information and on Forecast Financial information and Financial Services Guide


Selling restrictions

The Offer is available to Australian residents in each state and territory of Australia. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offer of Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia (including electronically) may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Company is entitled to refuse an Application if it believes that the Applicant received the Offer outside Australia in non-compliance with the laws of the relevant foreign jurisdiction.

Notice to New Zealand residents

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the FMC Act). The Offer Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:
• is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
• meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
• is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
• is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
• is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Notice to United States residents
The Shares being offered pursuant to this Prospectus have not been registered under the United States Securities Act of 1933, as amended (the US Securities Act) or any US state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these Shares in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful under applicable law, including the US Securities Act. In addition, any hedging transactions involving these Shares may not be conducted unless in compliance with the US Securities Act.

Notice to Hong Kong residents
WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the SFO). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Offer Shares have not been and will not be offered or sold in Hong Kong other than to ‘professional investors’ (as defined in the SFO).

No advertisement, invitation or document relating to the Offer Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Offer Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Notice to UK residents
Neither this document nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (FSMA)) has been published or is intended to be published in respect of the Offer Shares. This document is issued on a confidential basis to 'qualified investors (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Offer Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Offer Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000, as amended (Financial Promotions) Order 2005 (FPO), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together ‘relevant persons’). The investments to which this document relates are available only to, and any offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Obtaining a copy of this Prospectus
During the Exposure Period, an electronic version of this Prospectus without an Application Form will be available at www.healthia.com.au/download-prospectus. Application
Forms will not be made available until after the Exposure Period has expired.

During the Offer Period, this Prospectus will be available to investors in electronic form at www.healthia.com.au/download-applicationform. Any person accessing the electronic version of this Prospectus, for the purpose of making an investment in the Company, must only access the Prospectus from within Australia, or any jurisdiction outside Australia where the distribution of the electronic version of this Prospectus is not restricted by law.

The Application Form attached to the electronic version of this Prospectus must be used within Australia only. Electronic versions of this Prospectus should be downloaded and read in their entirety. You may, before the end of the Offer Period, obtain a paper copy of the Prospectus (free of charge) by calling the Offer Information Line on 1800 990 479 (within Australia) between 8.30am and 5.30pm AEST.

Applications for Offer Shares may only be made on the Application Form attached to this Prospectus or in its paper copy form downloaded in its entirety from www.healthia.com.au/download-applicationform. The Corporations Act prohibits any person from passing the Application Form to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of this Prospectus. If the Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications

By lodging an Application Form, you declare that you were given access to the entire Prospectus, together with an Application Form. The Company will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not accompanied by, or attached to, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

No cooling off rights

Cooling off rights (whether provided at law or otherwise) do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Privacy

By completing an Application Form or authorising a Broker to do so on your behalf, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications, and consent to the collection, storage, use and disclosure of that personal information in accordance with these terms. That personal information will be collected, held, used and disclosed both in and outside of Australia by the Company, and the Share Registry on its behalf, to process your Application, service your needs as a security holder, provide facilities and services that you request and carry out appropriate administration of your investment. If you do not wish to provide this information, the Company (or the Share Registry) may not be able to process your Application.

Once you become a Shareholder, the Corporations Act requires information about you (including your name, address and details of the Shares you hold) to be included in the Company’s Shareholder register, which will be accessible by the public. This information must continue to be included in the Company’s public Shareholder register even if you cease to be a Shareholder.

The Company, and the Share Registry on its behalf, may disclose your personal information for purposes related to your investment to their agents and service providers (which may be located outside of Australia) including those listed following or as otherwise authorised under the Privacy Act 1988 (Cth): the Share Registry for ongoing administration of the Company’s public Shareholder register, printers and other companies for the purpose of preparation and distribution of documents and or handling mail, the Underwriter in order to assess your Application, market research companies for the purpose of analysing the Company’s Shareholder base and for product development and planning and legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering and advising on the Shares and for associated actions.

Under the Privacy Act 1988 (Cth), you may request access to your personal information that is held by, or on behalf of, the Company. You can request access to your personal information or obtain further information about the Company’s privacy policy by contacting the Company or its Share Registry, details of which are set out elsewhere in this Prospectus. The Company aims to ensure that the personal information it retains about you is accurate, complete and up to date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

Currency

Unless otherwise specified, monetary amounts are expressed in Australian dollars. The Financial Information shown in this Prospectus is presented in Australian dollars.
Company website
Any references to documents included on the Company’s website are provided for convenience only, and none of the documents or other information on the website is incorporated by reference into this Prospectus.

Photographs and diagrams
Any photographs or diagrams used in this Prospectus and that do not have descriptions are for illustrative purposes only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents, or that the Company owns or uses any assets shown in such photographs or diagrams. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Defined terms
Some terms used in this Prospectus are defined in the Glossary in Section 12. All references to time in this Prospectus refer to AEST unless otherwise specified.

THIS PROSPECTUS IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY.
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Important dates
Key Offer Statistics
Letter from the Chair
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8. Material agreements
9. Independent Limited Assurance Reports
10. Taxation
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Appendix 1- Statutory Financial Information
Important dates

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodgement of the Prospectus with ASIC</td>
<td>31 July 2018</td>
</tr>
<tr>
<td>Offer Opening Date (Broker Firm Offer, Chairman’s List Offer and Clinician Participation Offer)</td>
<td>8 August 2018</td>
</tr>
<tr>
<td>Offer Closing Date (Broker Firm Offer, Chairman’s List Offer and Clinician Participation Offer)</td>
<td>23 August 2018</td>
</tr>
<tr>
<td>Offer Settlement Date</td>
<td>28 August 2018</td>
</tr>
<tr>
<td>Broker Firm Offer, Chairman’s List Offer and Institutional Offer Allotment Date</td>
<td>29 August 2018</td>
</tr>
<tr>
<td>Clinician Participation Offer Allotment Date</td>
<td>Between 29 August 2018 and 5 September 2018</td>
</tr>
<tr>
<td>Expected date for despatch of holding statements</td>
<td>6 September 2018</td>
</tr>
<tr>
<td>Expected commencement of trading of Shares on ASX (on a normal settlement basis)</td>
<td>11 September 2018</td>
</tr>
</tbody>
</table>

The above timetable is indicative only and may change. The Company reserves the right to vary the dates and times set out above. In particular, the Company reserves the right to close any Offer early, extend any Offer Closing Date or accept late Applications, either generally or in particular cases, or to cancel or withdraw any Offer before the allocation of Shares, in each case without notifying any recipients of this Prospectus or any Applicants. If any Offer is cancelled or withdrawn before Completion, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.
Key Offer Statistics

<table>
<thead>
<tr>
<th>Company</th>
<th>Healthia Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares offered</td>
<td>Fully paid ordinary shares</td>
</tr>
<tr>
<td>Issue Price per Offer Share</td>
<td>$1.00</td>
</tr>
<tr>
<td>Number of existing Shares on issue at the Prospectus Date</td>
<td>28.6 million</td>
</tr>
<tr>
<td>Number of Offer Shares available under the Underwritten Offer</td>
<td>26.8 million</td>
</tr>
<tr>
<td>Number of Offer Shares available under the Clinician Participation Offer</td>
<td>7.5 million</td>
</tr>
<tr>
<td>Total number of Shares available under the Offer</td>
<td>34.3 million</td>
</tr>
<tr>
<td>Total number of Shares expected to be on issue at Completion of the Offer$</td>
<td>63,042,196</td>
</tr>
<tr>
<td>Gross proceeds of the Underwritten Offer</td>
<td>$26.8 million</td>
</tr>
<tr>
<td>Market capitalisation at the Issue Price$</td>
<td>$63.0 million</td>
</tr>
<tr>
<td>Pro forma forecast FY18 EBITDA$ attributed to Shareholders</td>
<td>$8.2 million</td>
</tr>
<tr>
<td>Pro forma forecast FY18 NPATA$ attributed to Shareholders</td>
<td>$4.5 million</td>
</tr>
<tr>
<td>Pro forma forecast FY19 EBITDA attributed to Shareholders</td>
<td>$9.0 million</td>
</tr>
<tr>
<td>Pro forma forecast FY19 NPATA attributed to Shareholders</td>
<td>$4.8 million</td>
</tr>
<tr>
<td>Enterprise value / pro forma forecast FY19 EBITDA attributed to Shareholders</td>
<td>9.1 times</td>
</tr>
<tr>
<td>Market capitalisation at the Issue Price / pro forma forecast FY19 NPATA attributed to Shareholders</td>
<td>13.2 times</td>
</tr>
</tbody>
</table>

The Financial Information should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus. Further details regarding the Pro Forma Historical Financial Information, Pro Forma Forecast Financial Information and Statutory Historical Financial Information and Statutory Forecast Financial Information are contained in Section 4.

How to invest

Applications for Shares can be made in accordance with the procedures described in this Prospectus. Instructions on how to apply or Shares are set out in Section 7 and on the reverse of the Application Form.

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1 Which includes the Offer Shares and the Shares on issue at the Prospectus Date. The percentage of Shares available on Completion for Shareholders to freely trade in the public market is 44% based on the expected capital structure of the Company on Completion.

2 Market capitalisation at the Issue Price is defined as the Issue Price multiplied by the total number of Shares expected to be on issue at Completion of the Offer.

3 Earnings before interest, tax, depreciation and amortisation

4 Net profit after tax before amortisation

5 Enterprise value is calculated as the sum of the market capitalisation at the Issue Price, the deferred consideration payable to the Existing Shareholders ($2.5 million) and for the Acquisitions ($1.2 million) and the Net Debt. Net Debt is calculated as the anticipated drawn amount under the Planned Finance Facility net of cash after Completion of the Offer and completion of the Acquisitions. As at the date of this Prospectus, Healthia has entered into the Finance Term Sheets as set out in Section 8.2. The Finance Term Sheets requires documentation for the Planned Finance Facility to be entered into and satisfaction of required conditions precedent prior to the Company drawing down on the debt from the Financiers. The Company is expected to enter into the Planned Finance Facility prior to the Listing Date (see Section 8.2 for further information).
Letter from the Chair

Dear Investor,

On behalf of the Board of Healthia Limited (Healthia), it is my pleasure to invite you to become a Shareholder.

Healthia was formed to bring together well established allied health brands, which include the My FootDr Podiatry and Allsports Physiotherapy brands, with the aim to be one of Australia’s leading allied health companies. Healthia’s future growth is forecast to come from both its organic growth strategies and the acquisition of well-established podiatry and physiotherapy clinics throughout Australia.

The Group currently owns and operates the My FootDr Podiatry Clinics, consisting of 56 podiatry clinics and owns an orthotics laboratory (iOrthotics) and 50% of an allied health supplies business (D.B.S. Medical). As at the Prospectus Date, the Group has entered into binding agreements (the Acquisition Agreements) to acquire the following businesses:

1. 14 Allsports Physiotherapy Clinics located in Brisbane and the Gold Coast, the Allsports management business and the Allsports intellectual property, including the brand (the Allsports Physiotherapy Acquisitions),
2. 16 podiatry Clinics located in Queensland, Victoria and South Australia (the Podiatry Clinic Acquisitions),
3. 9 physiotherapy Clinics located in Queensland (the Physiotherapy Clinic Acquisitions),
4. 7 Extend Rehabilitation branded hand therapy Clinics located in Brisbane (the Extend Rehabilitation Acquisition),
5. the remaining 50% of the issued share capital of My FootDr (Cleveland) Pty Ltd, not currently owned by the Company, and
6. a further 25% of D.B.S. Medical, bringing the interest owned by the Company to 75% of the issued capital of D.B.S. Medical.

In addition to these Acquisition Agreements, the Group has entered into the Non-Binding Heads of Agreements, to acquire an additional 4 physiotherapy clinics located in Queensland.

Through the consolidation of the allied health businesses, Healthia expects that its clinics, and its clinicians, will optimise patient outcomes through greater interdisciplinary cooperation and cross education, efficient delivery of care due to co-location of services, access to well-equipped facilities and reduce costs of care through its integrated management approach.

A key focus of Healthia is to retain and incentivise its clinicians. Healthia has developed a clinician retention program (Clinician Retention Program) which, in addition to a series of structured learning and education programs, allows our clinicians to have an ownership interest in the Group’s Clinics. Under the Clinician Retention Program, the clinicians are given the opportunity to acquire clinic class shares (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 shareholders. We consider this model as a compelling proposition for our patients, our clinicians and our investors.

After Listing, Healthia will look to expand and grow through further acquisitions of complementary allied health businesses as well as implementing initiatives to drive organic growth. Our key organic growth drivers include:

- increasing revenue of acquired clinics, including the introduction of podiatry services into physiotherapy clinics where these services do not already exist,
- investment in equipment and technology upgrades to expand the services provided in its clinics,
- utilisation of vertically integrated businesses such as iOrthotics and D.B.S Medical to drive buying synergies,

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6. The Group has entered into an agreement to acquire a further 25% of D.B.S. Medical on Listing. Completion of the acquisition is subject to a number of conditions being satisfied or waived.
7. Completion of the Acquisitions are subject to a number of conditions being satisfied or waived.
8. This includes the acquisition of 11 podiatry clinics co-located inside of 11 of the 14 Allsports Physiotherapy Clinics.
9. 3 of the Extend Hand Therapy Clinics are co-located inside one of the Allsports Physiotherapy Clinics.
10. There is no certainty that the Group will enter into binding acquisition agreements for these Clinics or complete these acquisitions.
optimisation of existing clinics, generating cost efficiencies through scale and improved clinic management, and
education of all clinicians to ensure standards of care are maintained and patient outcomes are optimal.

Healthia is supported by a Board and Senior Management team who have experience and capability in successfully integrating businesses and implementing the systems necessary to facilitate and improve the management and performance of its clinics. We are confident that we have put in place the appropriate corporate governance framework, risk management processes and human resource skills to support the growth strategies of Healthia.

An underwritten offer of approximately 26.8 million Shares at $1.00 per Share is being made under this Prospectus to raise approximately $26.8 million. Proceeds of the Offer will be used to fund the Acquisitions and the costs associated with the Acquisitions, fund the cost of the Listing, fund the Existing Shareholders’ Sell-down and for working capital. An offer of 7.5 million Shares at $1.00 per Share is also being made under this Prospectus to Eligible Clinicians as part consideration for the acquisition of their allied health businesses under the Acquisition Agreements.

Healthia aims to provide income returns to Shareholders and has established a dividend policy targeting payment of between 40% and 60% of NPATA to Shareholders. No dividends are expected to be paid during FY19. The Board anticipates that the first dividend to Shareholders is expected to be paid in October 2019.

This Prospectus contains detailed information about the Offer, the industries in which the Group operates, its business and historical and forecast financial information relating to the Group. The Group is subject to a range of risks which are discussed in detail in Section 5 and include among others, the integration of the newly acquired clinics taking longer or costing more than anticipated, the loss of key clinicians and employees from the business, clinicians not being willing to hold or continue to hold Clinic Class Shares and a change or disruption in market structure or dynamics, such as the entry of new market participants.

I encourage you to read the Prospectus in full and to carefully consider the Offer. On behalf of my fellow Directors and our management team, we look forward to welcoming you as a Shareholder.

Yours faithfully,

Dr Glen Richards
Chairperson
01. Investment overview
1. Investment overview

The information set out in this Section 1 is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to apply for Offer Shares, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisers.

1.1. Introduction

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who is the issuer of this Prospectus?</td>
<td>Healthia Limited ACN 626 087 223 (Healthia or the Company).</td>
<td>Sections 3</td>
</tr>
<tr>
<td>Who is Healthia?</td>
<td>Healthia is the holding company of the Group which owns and operates 56 podiatry Clinics (the My FootDr Podiatry Clinics) and an orthotics laboratory (iOrthotics) and holds a 50% interest in an allied health supplies business (D.B.S. Medical)(^{11}). The Group has entered into Acquisition Agreements to acquire the following further allied health businesses(^{12}): 1. 14 Allsports Physiotherapy Clinics, the Allsports management business and the Allsports intellectual property, including the brand (the Allsports Physiotherapy Acquisitions), 2. 16 podiatry Clinics, which following acquisition are expected to be rebranded as My FootDr (the Podiatry Clinic Acquisitions), 3. 9 physiotherapy Clinics, which following acquisition are expected to be rebranded as Allsports Physiotherapy (the Physiotherapy Clinic Acquisitions), 4. 7 Extend Rehabilitation branded hand therapy Clinics (the Extend Rehabilitation Acquisition), 5. the remaining 50% of the issued share capital of My FootDr (Cleveland) Pty Ltd, not currently owned by the Company, and 6. a further 25% of D.B.S. Medical. Following completion of the Acquisitions, the Group will own: 1. 72 podiatry Clinics which will operate under the My FootDr brand, 2. 23 physiotherapy Clinics which will operate under the Allsports Physiotherapy brand, and 3. 7 hand therapy Clinics which will operate under the Extend Rehabilitation brand. each a “Clinic” together the “Clinics”. The Group will also own: 1. iOrthotics, and 2. a 75% interest in D.B.S. Medical(^{13}).</td>
<td></td>
</tr>
<tr>
<td>What industry does Healthia operate in?</td>
<td>Allied health is a term used to describe the broad range of health professionals who are not doctors, dentists or nurses. Allied health professionals aim to prevent, diagnose and treat a range of conditions and illnesses. Healthia predominately operates in the following allied health sectors: 1. podiatry services, and 2. physiotherapy services. In addition to owning clinics, Healthia will consider owning and operating other allied health businesses that provide services to its patients and where there are opportunities to improve patient outcomes including through greater interdisciplinary cooperation and cross education and efficient delivery of care due to co-location of services. Furthermore, it will look to own and operate vertically integrated businesses in addition to iOrthotics and D.B.S. Medical.</td>
<td>2.1 and 2.2</td>
</tr>
</tbody>
</table>
14. IBISWorld Industry Report Q8533 Physiotherapy Services in Australia, dated February 2017, estimates there to be 5,920 physiotherapy businesses⁴⁴ in Australia.

15. IBISWorld Industry Report Q8539 Other Health Services in Australia, dated December 2016, includes industry data on podiatry services, and estimates there to be 19,939 businesses in Australia. Podiatry makes up 12.0% of the Other Health Services in Australia. 12% of the 19,939 are estimated to be podiatry Clinics which equates to approximately 2,393 businesses.

16. As a condition of Listing, the Company must acquire at least 75% of the Allsports Physiotherapy Acquisitions based on the total revenue and EBITDA that is subject to audit or review by BDO Audit as relevant.
17. The Group has entered into an agreement to acquire a further 25% of D.B.S. Medical on Listing. Completion of the acquisition is subject to a number of conditions being satisfied or waived.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is the cash payable and equity issued by the Group in connection with the Acquisitions?</strong></td>
<td>The net cash payable and equity issued by the Group in connection with the Acquisitions is expected to be approximately $31.8 million, payable as follows: 1. $17.6 million in cash, 2. $7.5 million by the issue of Shares under the Clinician Participation Offer, 3. $4.9 million by the issue of Clinic Class Shares, and 4. $1.8 million of the consideration is deferred and will become payable on the Clinics reaching agreed earnings thresholds. The Group has included $1.2 million of this deferred consideration in the Pro Forma Historical Consolidated Statement of Financial Position as at 31 December 2017 (see Section 4.11) reflecting an indicative assessment of the fair value of the deferred consideration expected to be payable by the Group for the Acquisitions. The net amount payable by the Group is proposed to be funded through proceeds of the Offer.</td>
<td>Section 8.3</td>
</tr>
<tr>
<td><strong>What is the Planned Finance Facility and when is it expected to be entered into?</strong></td>
<td>Healthia has accepted short form credit approved term sheets (Finance Term Sheets) with Australia and New Zealand Banking Group Limited and the Bank of Queensland Limited (Financiers) for the provision of financing facilities (collectively the Planned Finance Facility). The Finance Term Sheets indicate that provision of the Planned Finance Facility is subject to several conditions, including the Company entering into a binding finance facility agreement and security documentation on terms and conditions satisfactory to the Financiers and satisfaction of required conditions precedent. The funds available under the Planned Finance Facility will be used to refinance the existing debt of the MFDA Group, for working capital and to help fund future acquisitions. The Planned Finance Facility must be finalised and in place prior to the close of the Offer. If this has not occurred prior to the targeted Offer Closing Date, the Company may extend that date. If the Company forms the view that the conditions to entering into the Planned Finance Facility cannot be satisfied, the Offer will be withdrawn and all Application Monies will be returned. It is expected that all conditions to entering into the Planned Finance Facility will be satisfied by the targeted Offer Closing Date.</td>
<td>Section 8.2</td>
</tr>
<tr>
<td><strong>What are the B2B Businesses?</strong></td>
<td>The Group owns the following allied health businesses which are not Clinics: 1. an orthotics laboratory known as iOrthotics, and 2. a 50% interest in an allied health supplies business known as D.B.S. Medical. These B2B Businesses form part of Healthia’s vertical integration strategy. The Group will only acquire additional B2B businesses where it would contribute to the future strategic interests of the Group.</td>
<td>Section 3.3</td>
</tr>
</tbody>
</table>
Clinic Class Shares are designed to create alignment between the economic interests of clinicians and Shareholders by providing clinicians with an economic interest in the performance of clinics. Clinic Class Shares are non-voting shares issued in Subsidiaries of Healthia that own the clinic.

Clinic Class Shares have and will be issued to:

- clinicians (or their nominees approved by the relevant board), as part consideration for the acquisition of a clinic by the Group,
- clinicians (or their nominees approved by the relevant board) for consideration, and
- any other holder that is approved by the relevant board for consideration.

Holders of Clinic Class Shares will receive a cash dividend calculated by reference to the earnings derived from the clinic relating to that class of Clinic Class Share in circumstances where, at the directors’ discretion, a dividend is declared by the relevant Subsidiary to the Company. Each Clinic Class Share will entitle the holder to a dividend of up to 1% of the earnings generated by the clinic to which that Clinic Class Share relates.

MFDA, PHL and HTPL’s dividend policy is that, to the extent a dividend is able to be paid, a dividend for each Clinic Class Share in the clinic equal to one percent (1%) of the total potential clinic dividend (as defined in the terms of issue of the Clinic Class Shares) available for Clinic Class Shares in that clinic will be determined and paid quarterly.

No more than 48 Clinic Class Shares can be issued in any class. As each Clinic Class Share entitles the holder to up to 1% of the after-tax profits generated by the clinic in which the clinician works, the effect of this is that the clinicians working in a clinic will not hold an economic interest of greater than 48% of the earnings generated by any clinic, ensuring that the Company retains economic control over its Subsidiaries, in addition to owning all of the voting shares in them.

At Listing, there will be approximately 1,227 Clinic Class Shares, in 46 different classes on issue in the Company’s operating Subsidiaries. Those Clinic Class Shares will represent an economic interest of approximately 14.4% in the earnings of the Group.

The Offer is an initial public offer of 34.3 million Shares, which are to be issued by the Company at a price of $1.00 per Share.

The Offer is comprised of:

- a fully underwritten Broker Firm Offer, Chairman’s List Offer and Underwritten Offer of 26.8 million Shares to raise approximately $26.8 million, and
- a Clinician Participation Offer of 7.5 million Shares to Eligible Clinicians as part consideration for the acquisition of their businesses under the Acquisition Agreements.

The Offer is expected to raise approximately $26.8 million.

The Company is seeking to raise funds and list on ASX to:

- complete the Acquisitions
- gain access to capital markets to provide a liquid market for the Shares
- realise the benefits of a public profile associated with being a listed entity
- allow the Existing Shareholders to realise some of their value in the My FootDr Podiatry Clinics grown over a number of years, and
- provide funds to pay the costs of this Offer and the Acquisitions.
1.2. Key features of Healthia’s business model

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is Healthia’s business model?</td>
<td>Healthia’s business model is to operate and expand a network of podiatry and physiotherapy clinics, and B2B businesses that are strategically complementary, in Australia. The Group intends to achieve this by identifying, acquiring and integrating new clinics and organically growing its portfolio of clinics and other allied health businesses. Through managing a portfolio of allied health businesses, Healthia expects to generate operational improvements and deliver benefits for all stakeholders. The Group’s plans for future growth include: • build talent and retain staff through access to career paths underpinned by the Clinician Retention Program, • education of all clinicians to ensure standards of care are maintained, clinicians remain leading edge and patient outcomes are optimised, • optimisation of the clinics’ operations, generating cost efficiencies through scale and improved clinic management, • patient communication and management strategies that integrate leading approaches to treatment and ongoing clinical management, • introducing additional services into acquired clinics, including the introduction of podiatry services into physiotherapy clinics, • utilisation of vertically integrated businesses such as iOrthotics and D.B.S Medical to drive buying synergies, • investment in equipment and technology upgrades for each clinic, and • further acquisitions.</td>
<td>Section 3</td>
</tr>
<tr>
<td>What is the Clinician Retention Program?</td>
<td>The Clinician Retention Program has been established by Healthia to retain clinicians and to establish alignment between the interests of clinicians and Shareholders. The Clinician Retention Programs include: • a series of structured education and training initiatives, and • the opportunity for clinicians to share in a portion of the earnings generated by the Clinics of the Group through the ownership of Clinic Class Shares.</td>
<td>Section 3.8</td>
</tr>
<tr>
<td>What are the key operational drivers of Healthia?</td>
<td>The financial performance of Healthia will primarily be determined by key revenue drivers including: • the number of clinics in the Group • the utilisation of each clinic • the number of clinicians in the Group • the number of consultations performed by the Group • the service fees charged, and • the mix of products and services sold by clinicians. Key expense drivers include: • Employee expenses – Employee remuneration comprises the largest expense for the Group. Healthia anticipates employee expenses to be approximately 58.4% of pro forma net revenue for FY19. • Occupancy costs – Primarily leasing costs, are anticipated to be approximately 12.2% of pro forma net revenue for FY19. • Direct costs – comprise of medical consumables, orthotic laboratory costs and retail inventory. Direct costs are anticipated to be approximately 8.8% of pro forma net revenue for FY19. • All other costs – other costs include, insurance, marketing, IT and telecommunication and other business-related expenses. All other costs are anticipated to be approximately 7.5% of pro forma net revenue for FY19.</td>
<td>Sections 4.3 and 4.12</td>
</tr>
<tr>
<td>Topic</td>
<td>Summary</td>
<td>More information</td>
</tr>
<tr>
<td>------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------------------</td>
</tr>
</tbody>
</table>
| **How will Clinics be integrated following acquisition?**  | The Group will focus, as a key strategic priority following Listing, on integrating the Acquisitions into the Group, with the Allsports Physiotherapy Clinics being a priority. Healthia will leverage the skills and experience of its Senior Management team to implement its detailed integration plan which includes, but is not limited to, the following:  
  • implementation of centralised finance, marketing and administration functions  
  • roll-out of a fully integrated Group wide clinic management system to enhance reporting for the Group  
  • centralisation of procurement relationships to drive purchasing efficiencies, and  
  • implementation of centrally developed and led training and education programs. | Section 3.4      |
| **Why will patients use the Group’s services?**            | The Group intends to operate and expand a network of modern, well-equipped clinics. The My FootDr and Allsports Physiotherapy Clinics are already well-established allied health businesses. Healthia focuses on the training of its employees to enable them to deliver high standards of care to their patients. Patients of the Group will benefit from the high standards of education and service delivery which Healthia will require of its staff. Patient care will be further enhanced with the benefits that come from their clinic being part of a well-funded national network, with leading clinical standards and practices for the treatment of patients in the areas of podiatry and physiotherapy. Patients will also benefit from the Group’s Patient Charter which focuses on caring and treating patient’s conditions through well-defined communication and patient management strategies that integrate evidenced based approaches to treatment and ongoing clinical care. | Section 3        |
| **What are Healthia’s sources of revenue?**                | The Group will primarily generate its revenue through:  
  • the provision of physiotherapy services by its clinicians. Payment for physiotherapy services by patients are on a per consultation or per procedure basis  
  • the provision of podiatry services by its clinicians. Payment for podiatry services by patients are on a per consultation or per procedure basis, and  
  • in conjunction with its services, the provision of goods to its patients, including custom and semi-custom orthotics, retail shoes and other medical consumables.  
  The Group also earns revenue from external sale of orthotics (from iOrthotics) and medical supplies and equipment (from D.B.S. Medical). | Section 3        |
What is Healthia’s historical and forecast financial performance?

The Group’s pro forma historical financial performance and forecast consolidated statement of profit and loss is summarised in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Pro forma historical</th>
<th>Pro forma historical</th>
<th>Pro forma forecast</th>
<th>Pro forma forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ million</td>
<td>FY16</td>
<td>FY17</td>
<td>FY18</td>
<td>FY19</td>
</tr>
<tr>
<td>Revenue</td>
<td>65.9</td>
<td>66.6</td>
<td>69.4</td>
<td>71.8</td>
</tr>
<tr>
<td>EBITDA</td>
<td>8.5</td>
<td>8.8</td>
<td>9.3</td>
<td>10.3</td>
</tr>
<tr>
<td>EBIT</td>
<td>6.9</td>
<td>7.2</td>
<td>7.7</td>
<td>8.5</td>
</tr>
<tr>
<td>NPAT</td>
<td>4.0</td>
<td>4.2</td>
<td>4.6</td>
<td>5.1</td>
</tr>
<tr>
<td>NPATA</td>
<td>4.4</td>
<td>4.6</td>
<td>5.0</td>
<td>5.5</td>
</tr>
<tr>
<td>EBITDA attributed to shareholders</td>
<td>7.5</td>
<td>7.8</td>
<td>8.2</td>
<td>9.0</td>
</tr>
<tr>
<td>NPATA attributed to shareholders</td>
<td>3.9</td>
<td>4.1</td>
<td>4.5</td>
<td>4.8</td>
</tr>
</tbody>
</table>

A reconciliation of the audited historical and forecast consolidated NPAT to the pro forma historical and forecast consolidated NPAT for FY16, FY17, FY18 and FY19 is summarised in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Historical FY16</th>
<th>Historical FY17</th>
<th>Forecast FY18</th>
<th>Forecast FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory NPAT</td>
<td>0.3</td>
<td>(0.0)</td>
<td>(0.3)</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Pro forma adjustments:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate overhead</td>
<td>(1.4)</td>
<td>(1.3)</td>
<td>(0.4)</td>
<td>0.3</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(0.9)</td>
<td>(0.5)</td>
<td>(0.2)</td>
<td>0.0</td>
</tr>
<tr>
<td>Financing costs</td>
<td>(0.5)</td>
<td>(0.3)</td>
<td>(0.1)</td>
<td>0.0</td>
</tr>
<tr>
<td>Acquisition costs</td>
<td>0.1</td>
<td>1.0</td>
<td>1.7</td>
<td>1.9</td>
</tr>
<tr>
<td>Dividends</td>
<td>(0.0)</td>
<td>(0.0)</td>
<td>(0.0)</td>
<td>0.0</td>
</tr>
<tr>
<td>Direct costs</td>
<td>0.1</td>
<td>0.3</td>
<td>0.8</td>
<td>0.0</td>
</tr>
<tr>
<td>Income tax</td>
<td>(0.5)</td>
<td>(0.3)</td>
<td>(0.7)</td>
<td>0.0</td>
</tr>
<tr>
<td>Pre-acquisition revenue and expenses</td>
<td>6.8</td>
<td>5.3</td>
<td>3.7</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Pro forma NPAT</strong></td>
<td><strong>4.0</strong></td>
<td><strong>4.2</strong></td>
<td><strong>4.6</strong></td>
<td><strong>5.1</strong></td>
</tr>
</tbody>
</table>

How does Healthia expect to fund its activities?

The Acquisitions are proposed to be funded from the proceeds of the Offer. The ongoing operations of the Group are expected to be funded through internally generated cash flow from operations. Healthia plans to fund ongoing clinic acquisitions through a combination of:
- internally generated cash-flow
- the issue of Clinic Class Shares, and
- its Planned Finance Facility.

Following completion of the Acquisitions, the Group expects to have $22 million of available capacity under the Planned Finance Facility. Healthia may, in the future, access capital markets through additional equity raisings to support its acquisition program.

Section 4: What is Healthia’s historical and forecast financial performance?
Section 7 and 8.2: How does Healthia expect to fund its activities?
### How will the proceeds of the Offer be used?

The table below sets out a summary of the anticipated use of the proceeds of the Offer.

<table>
<thead>
<tr>
<th>Source of funds</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue of Offer Shares</td>
<td>26.8</td>
</tr>
<tr>
<td><strong>Use of proceeds</strong></td>
<td></td>
</tr>
<tr>
<td>Fund the cash payments required for the Acquisitions</td>
<td>17.6</td>
</tr>
<tr>
<td>Fund the Existing Shareholder Sell-down</td>
<td>2.5</td>
</tr>
<tr>
<td>Pay costs of the Acquisitions</td>
<td>2.3</td>
</tr>
<tr>
<td>Pay costs of the Offer</td>
<td>2.4</td>
</tr>
<tr>
<td>Fund working capital</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26.8</strong></td>
</tr>
</tbody>
</table>

At Listing, the Planned Finance Facility is expected to be drawn to $15.0 million and the funds drawn will be used to refinance existing debt of the MFDA Group and upfront costs of the Planned Finance Facility. In addition to the $15.0 million drawn amount at Listing, the Company expects to have $22 million of available capacity under the Planned Finance Facility.

The Directors believe that on Completion of the Offer the Company will have sufficient funds available from the cash proceeds of the Offer and the Planned Finance Facility to meet the Company’s stated business objectives.

### What is the Company’s and its Subsidiaries’ dividend policies?

The Board will declare and pay dividends at its discretion based on operating and financial performance, the Company’s financial position, the availability of growth opportunities, the Company’s franking credit position and any other factors the Directors deem relevant. The Company and the Board give no assurance about the payment of dividends, the extent of the payout ratios or the future level of franking credits.

Subject to the above matters and those described in Section 4.15, the Directors intend to have an indicative payout ratio of 40% to 60% of annual NPATA, however, no dividends are expected to be paid during FY19. The Board anticipates that the first dividend to Shareholders is expected to be paid in October 2019.

MFDA, PHL and HTPL’s dividend policy is that, to the extent a dividend is able to be paid, a dividend for each Clinic Class Share in the Clinic equal to one percent (1%) of the total potential clinic dividend (as defined in the terms of issue of the Clinic Class Shares) available for Clinic Class Shares in that Clinic will be determined and paid quarterly.

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Sections 7.4 and 8.2

Section 4.15
1.3. Investment Highlights

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>More information</th>
</tr>
</thead>
</table>
| Experienced Board and Senior Management team with demonstrated integration and aggregation expertise | The Group is led by an experienced Board and Senior Management team:  
- Glen Richards (Chairman & Non-Executive Director) has over 20 years’ experience in professional service consolidations including being the founding CEO of Greencross Limited, a veterinary services provider. He remains as a non-executive director of Greencross Limited. He is also the chairperson of ASX listed People Infrastructure Limited, and a director of a number of other enterprises.  
- Paul Wilson (Independent Non-Executive Director) has over 26 years’ retail industry experience including founding CEO of Mammoth Pet Holdings Pty Ltd (Pet Barn). He remains as a non-executive director of Greencross Limited. He is also the chairperson of The Natural Grocery Company, and a director of a number of other enterprises.  
- Lisa Dalton (Independent Non-Executive Director) is an experienced director, senior executive and company secretary with expertise in the healthcare, medical, utilities, manufacturing, childcare, energy, mining and construction sectors.  
- Darren Stewart (CEO - Podiatry), one of the founders of the My FootDr Podiatry Clinics, has substantial experience building a network of podiatry clinics and has overseen the growth of the My FootDr podiatry business.  
- Anthony (Tony) Ganter (CEO - Physiotherapy), one of the founders of the Allsports Physiotherapy Clinics, has substantial experience building a network of physiotherapy clinics and has overseen the growth of the Allsports Physiotherapy Clinics.  
- Wesley Coote (CFO and Company Secretary) is the former Chief Financial Officer and Company Secretary of Greencross Limited and has experience in aggregating and integrating professional services businesses. He joined the My FootDr Business in December 2015 and has helped facilitate the growth of My FootDr.  

On completion of the Offer, Directors and Senior Management (personally or through controlled entities) are expected to have relevant interests in approximately 38.2% of the Shares. These Shares will be subject to escrow arrangements for up to 24 months following Listing, as detailed in Section 11.7. | Section 6 |

| Investment in Growth Sectors | Podiatry services market |  
Published data indicates that the Australian podiatry industry in FY17 generated total revenue of $0.9 billion\(^{20}\).  
The Australian podiatry industry, typically reported as part of “Other Health Services” in Australia, has experienced average annual revenue growth over the five years from 2012 to 2017 of 3.5%. Other Health Services is forecast to have annual growth of 2.4% for the period 2017-2022\(^{21}\).  
The My FootDr Business is the largest provider of podiatry clinics in Australia, with 56 podiatry Clinics, with the industry remaining highly fragmented. | Section 2 |

| Physiotherapy services market |  
Published data indicates that the Australian physiotherapy industry in FY17 generate total revenue of $1.7 billion\(^{22}\).  
Physiotherapy has experienced average annual revenue growth over the five years from 2012 to 2017 of 3.5%. The physiotherapy industry is forecast to have annual growth of 2.8% for the period 2017-2022\(^{23}\).  
No single operator holds greater than a 3% market share of the physiotherapy industry in Australia and the industry remains highly fragmented. |  

\(^{20}\) IBISWorld Industry Report Q8539 Other Health Services in Australia, dated December 2016. Total Other Health Services in Australia revenue for 2016-17 was $7.2 billion. Podiatry segment of this revenue was 12%, or approximately $0.864 billion.  
\(^{21}\) IBISWorld Industry Report Q8539 Other Health Services in Australia, dated December 2016. Data is for all Other Health Services in Australia.  
\(^{22}\) IBISWorld Industry Report Q8533 Physiotherapy Services in Australia, dated February 2017.  
<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attractive Business Model</td>
<td>The Australian allied health industry remains highly fragmented with approximately 25,900 businesses in Australia. The two key allied health industries that Healthia will focus on aggregating are podiatry services (approximately 2,400 businesses in Australia) and physiotherapy services (5,900 businesses in Australia). An opportunity exists for the further consolidation of the podiatry and physiotherapy industries due to factors including: • continued industry fragmentation • increasing demand for physiotherapy and podiatry services driven by the increase in medium age of the population and increases in health consciousness, • the creation of varied career paths within allied health, and • a desire for a reduced administration burden at the clinic level.</td>
<td>Section 2</td>
</tr>
<tr>
<td>Consolidation Opportunity</td>
<td>Healthia intends to continue acquiring clinics, based on its disciplined acquisition criteria, in order to build clusters of clinics where a cross-referral network can be established between physiotherapist and podiatrists and/or geographical clusters can be established, facilitating efficient management of these clinics, gaining efficiencies of scale and providing convenience and consistency of allied health services for the Group’s patients. The Group has entered into Non-Binding Heads of Agreements, to acquire an additional 4 physiotherapy clinics. Consolidation opportunities exist due to: • succession planning needs for older podiatry and physiotherapy owners, • the creation of varied career paths within allied health, and • the need for a larger group to drive industry standards with an aim of ensuring optimal patient outcomes. Healthia expects to fund acquisitions after Listing utilising free cash flow, Clinic Class Shares, and bank debt (and a portion of the seller payments will be deferred). On Listing, Healthia anticipates that it will have drawn debt of $15.0 million and access to an additional $22.0 million under the Planned Finance Facility, enabling it to undertake its targeted acquisition program.</td>
<td>Section 2 and 3 and 8.2</td>
</tr>
<tr>
<td>Organic Growth Strategy</td>
<td>Following Listing, Healthia will focus on integration of the Acquisitions, with the priority being the Allsports Physiotherapy Clinics, utilising a centralised support function. Healthia believes that potential synergies will arise from a number of initiatives to be implemented across the Group, including: • implementing the Group’s Patient Charter which the Directors believe will provide a unique value proposition for patients through an integrated approach to allied health care • establishing real time financial performance measures and key performance indicators • improving buying power from utilising the Group’s vertically integrated businesses and/or by establishing relationships with key suppliers • targeting marketing and patient retention campaigns • implementing the Group’s education programs for clinicians and staff to maintain and enhance clinical standards. This includes a structured graduate program for graduate physiotherapists and podiatrists, and • focusing on education and training programs for all staff designed to deliver evidence based clinical outcomes for patients, as well as encouraging staff retention.</td>
<td>Section 3.4</td>
</tr>
</tbody>
</table>

24. IBISWorld Industry Report Q8533 Physiotherapy Services in Australia, dated February 2017, estimates there to be 5,920 physiotherapy businesses in Australia. IBISWorld Industry Report Q8539 Other Health Services in Australia, dated December 2016, includes industry data on podiatry services, and estimates there to be 19,939 businesses in Australia.
25. IBISWorld Industry Report Q8539 Other Health Services in Australia, dated December 2016, includes industry data on podiatry services, and estimates there to be 19,939 businesses in Australia. Podiatry makes up 12.0% of the Other Health Services in Australia. 12% of the 19,939 are estimated to be podiatry clinics which equates to approximately 2,393 businesses. 
26. There is no certainty that the Group will enter into binding acquisition agreements for these Clinics or complete these.
1.4. Key Risks

A list of the risks associated with an investment in Healthia is provided in Section 5. The following summary, which is not exhaustive, represents some of the key risk factors that Applicants need to be aware of.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration risk</td>
<td>The Group will seek to integrate the Acquisitions following Listing. Key integration risks include higher than expected integration costs, potential disruption to Senior Management, the loss of patients and the impairment of business relationships (such as with staff and suppliers). This could adversely affect the financial performance and growth of the Group.</td>
<td>Section 5</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>There are execution, due diligence and liability risks associated with the Acquisitions. The Acquisition Agreements contain obligations on the parties and conditions which, if not complied with or satisfied, could affect the operation of the Group, or delay or prevent the Acquisitions from completing. The failure to satisfy conditions, a failure to complete or any delay in completing any Acquisition could adversely affect the Group’s ability to deliver on its business strategy, and its future performance. There is no guarantee that completion of all of the Acquisition Agreements will occur. The admission of Healthia to the Official List is conditional upon the successful settlement of 75% the Allsports Physiotherapy Acquisitions after the Offer Closing Date, and prior to Listing. Failure to settle on those Clinics will postpone the Listing Date. In addition, failure to settle Clinics following Listing will adversely impact on the financial performance of the Group. The Group has performed due diligence in respect of each of the Acquisitions and sought warranty and indemnity protections under the Acquisition Agreements. However, the Group may also suffer loss or damage flowing from historical events, which the Group may be unable to recover from the sellers under the terms of the Acquisition Agreements. The Group may enter into deferred consideration payments as part of the Acquisition Agreements. These payments are contingent on certain financial requirements being met by the seller. There is a risk that the Group assesses that the financial requirements are not met and that the seller disputes this. This may lead to unexpected costs associated with dealing with the dispute and defending the Group's position and could have an adverse effect on the financial performance of the Group.</td>
<td>Section 5</td>
</tr>
</tbody>
</table>
Retention of Clinicians
The Group’s primary source of earnings will be revenue generated from professional services provided by its clinicians. The Group’s performance will be influenced both by its ability to attract and retain, and by the efforts and actions of, its clinicians.
If a significant number of clinicians cease employment with the Group, and the Group were unable to adequately replace these clinicians, this could have a material detrimental impact on the Group’s ability to generate revenue, its ability to deliver on its business strategy, and its future financial performance.

Clinician Retention Program
The Clinician Retention Program has been developed on the basis that holders of Clinic Class Shares contribute capital to acquire them. If a significant number of holders of the Clinic Class Shares wished to sell their Clinic Class Shares and the Group (or the exiting holders of the Clinic Class Shares) were unable to identify new holders to acquire the Clinic Class Shares. If the relevant Subsidiary opted to buy them back, this would increase the Group’s capital requirements and its economic exposure to that clinic. This may also negatively affect the Group’s financial position and growth, its ability to implement its proposed business strategy and model, and its alignment with the clinicians.

Key management personnel
The loss of key members of Senior Management, a change in the Senior Management team or the failure to attract additional skilled individuals to Senior Management roles, could have a material adverse effect on the Group’s operations, including its relationships with clinicians and suppliers.

Competition
There is a risk that increased competition from existing and new industry participants may impact the Group’s revenue and profits.
Healthia may also face competition from other participants in the consolidation of clinics, such as Zenitas Healthcare Limited. This competition may increase the price that Healthia must pay in order to secure the acquisition of new clinics or limit the clinics that Healthia can acquire.

Limited trading history
The Group has limited financial and operating history as a combined enterprise. The Group’s ability to achieve its objectives depends on the ability of the Group, the Board and Senior Management to successfully acquire and integrate the Acquisitions, to implement the proposed business strategy and to respond in a timely and appropriate manner to any unforeseen circumstances. As such, there is a risk that Healthia may not achieve these strategic objectives and there may be an adverse impact of the Group’s business, operating results and financial position.

Financing risk
The Group intends to rely on a combination of funding options to finance its operations and acquisitions including the issue of Shares and/ or Clinic Class Shares, vendor finance and the Planned Finance Facility. An inability to raise capital (through the issue of Shares or Clinic Class Shares) or secure funding or drawdown on finance facilities or subsequently refinance the Planned Finance Facility, or any increase in the cost of such funding, may adversely impact the performance and financial position of the Group.

Impairment of intangibles
Healthia will have substantial intangible assets on its statement of financial position which relate to existing and new goodwill from the Acquisitions. Under the relevant accounting standards, the Company is required to annually test for impairment of all indefinite life intangible assets. If the Company is required to impair its intangible assets, this would have an adverse impact on the financial position of the Group.
Healthia has identified two CGU’s for impairment testing of goodwill, being the podiatry and physiotherapy CGUs. This means the Company will test the carrying value of its goodwill having regard to the two CGUs.

Renewal of lease agreements
The Clinics operate from leased premises. The leases have different legal terms, expiry and renewal options. There is a risk that one or more of these leases may not be transferred or renewed on terms acceptable to the Group. If this were to occur, it may result in those Acquisition(s) not proceeding or the Group ceasing operations from the premises from which the Clinic operates. This could adversely impact the Group’s business, operating results and financial position while the Clinic in question seeks alternative premises to relocate.
### Regulatory/policy risk

There are a number of industry risk factors that may affect the future operation and performance of the Group that are outside its control, including regulation of the physiotherapy and podiatry industries. Regulatory change may adversely impact the financial performance of the Group where it leads to increased compliance costs, decreased demand for services or a decrease in per patient revenues.

### Technology risks

Following integration of the Acquisitions, the Group intends to use consistent information communications technology and systems across the Group. The technology, in particular its practice management system, will be critical in managing employees, clinicians, patients and reporting requirements, including privacy obligations. Any significant interruption to these systems could adversely impact the Group’s business, operating results and financial position.

#### 1.5. Other details about the Company

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>More information</th>
</tr>
</thead>
</table>
| **What significant benefits and interests are payable to the Directors and other persons connected with the Offer?** | Executive remuneration is described in Section 6. Non-Executive Directors will receive remuneration and fees on ordinary commercial terms as described in Section 6. Further details of the significant interests of key people, related party transactions and advisor and service provider fee entitlements are set out in Sections 6 and 11, including:  
  • following completion of the Acquisitions, the Group will lease 9 of its 88 premises from certain directors of the Group and members of the Senior Management team. The Board has formed the view the leases will all be on arm’s length commercial terms.  
  • the Group has granted a non-exclusive licence for the use of its brand in Singapore to Darren Stewart and Greg Dower for nominal consideration.  
  • certain directors of the Group and members of the Senior Management team, together with other Existing Shareholders, are entitled to receive a performance based cash earn out of $2.5 million relating to the pre Listing restructure of the Group. The director’s and Senior Management team’s portion of the earn out is $1.9 million. The earn out is payable in H1 FY20, only if the podiatry Operating Segment EBITDA of the Group in FY19 is greater than $11.0 million (before corporate overheads).  
  • Tony Ganter and Lisa Roach are Associated with vendors under certain of the Acquisition Agreements who will receive Shares and cash in consideration for the sale.  
  • Tony Ganter and Lisa Roach will be paid a sale commission by the sellers under the Allsports Acquisition Agreements of $0.8 million. Advisers and other service providers will receive fees for services on the terms set out in Section 11.8. | Sections 6 and 11 |
| **Who are the Company’s Substantial Shareholders at the Prospectus Date and what interests will they have after the Offer?** | Following Completion of the Offer and settlement of the Acquisitions, the following Existing Shareholders will be Substantial Shareholders:  
  1. Darren Stewart, and his Associates, will hold a Relevant Interest in approximately 71% of the Shares on issue at Completion of the Offer;  
  2. Greg Dower, and his Associates, will hold a Relevant Interest in approximately 71% of the Shares on issue at Completion of the Offer;  
  3. Glen Richards, and his Associates, will hold a Relevant Interest in approximately 6.9% of the Shares on issue at Completion of the Offer, and  
  4. Dean Hartley, and his Associates, will hold a Relevant Interest in approximately 6.0% of the Shares on issue at Completion of the Offer. It is not expected any other Existing Shareholder will be a Substantial Shareholder following Completion of the Offer. | Not applicable |
1.6. Directors and Senior Management

### Who are the Directors of the Company?

The Board comprises experienced Australian resident directors with a broad and diverse range of business experience.

The Directors of the Company are:
- Glen Richards – Chairman and Non-Executive Director
- Paul Wilson – Independent Non-Executive Director
- Lisa Dalton – Independent Non-Executive Director
- Darren Stewart – Chief Executive Officer - Podiatry
- Tony Ganter – Chief Executive Officer - Physiotherapy

### Who are the Senior Managers of the Company?

The Senior Management team has experience in operating, expanding and integrating podiatry and physiotherapy clinics and other professional services businesses.

The Senior Management team is comprised of:
- Darren Stewart – Chief Executive Officer - Podiatry
- Tony Ganter – Chief Executive Officer – Physiotherapy
- Wesley Coote – Chief Financial Officer and Company Secretary
- Christopher Banks – Chief Commercial Officer
- Glen Evangelista – Chief Operating Officer – Podiatry
- Lisa Roach – Chief Operating Officer – Physiotherapy

### What are the interests held by Directors and Senior Management in the Company?

The following table sets out the Relevant Interests of Directors and Senior Management in the Company, both at the Prospectus Date and their expected interests upon Completion of the Offer.

<table>
<thead>
<tr>
<th>Relevant Interest in Shares at Completion of the Offer</th>
<th>Percentage Interest in Shares at Completion of the Offer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Directors</strong></td>
<td></td>
</tr>
<tr>
<td>Glen Richards</td>
<td>4,329,569</td>
</tr>
<tr>
<td></td>
<td>6.9%</td>
</tr>
<tr>
<td>Paul Wilson</td>
<td>324,104</td>
</tr>
<tr>
<td></td>
<td>0.5%</td>
</tr>
<tr>
<td>Lisa Dalton</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>0.0%</td>
</tr>
<tr>
<td>Darren Stewart</td>
<td>4,457,664</td>
</tr>
<tr>
<td></td>
<td>7.1%</td>
</tr>
<tr>
<td>Tony Ganter</td>
<td>1,108,007</td>
</tr>
<tr>
<td></td>
<td>1.8%</td>
</tr>
<tr>
<td><strong>Senior Management</strong></td>
<td></td>
</tr>
<tr>
<td>Greg Dower</td>
<td>4,457,664</td>
</tr>
<tr>
<td></td>
<td>7.1%</td>
</tr>
<tr>
<td>Dean Hartley</td>
<td>3,787,676</td>
</tr>
<tr>
<td></td>
<td>6.0%</td>
</tr>
<tr>
<td>Glen Evangelista</td>
<td>3,037,674</td>
</tr>
<tr>
<td></td>
<td>4.8%</td>
</tr>
<tr>
<td>Other Senior Management</td>
<td>2,605,039</td>
</tr>
<tr>
<td></td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Sections 3 and 6
1.7. About the Offer

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the Offer?</td>
<td>The Offer is an initial public offer of 34.3 million Shares, which are to be issued by the Company at a price of $1.00 per Share. The Offer is comprised of: • An Underwritten Offer of 26.8 million Shares to raise approximately $26.8 million, and • a Clinician Participation Offer of 7.5 million Shares to Eligible Clinicians as part consideration for the acquisition of their businesses under the Acquisition Agreements. The Offer is expected to raise approximately $26.8 million.</td>
<td>Section 7 and 11.4</td>
</tr>
<tr>
<td>How is the Offer structured and who will be eligible to participate?</td>
<td>The Offer comprises: • the Broker Firm Offer, which is open to retail investors who have a registered address in Australia, • the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors, • The Chairman’s List Offer, which is open to selected investors in Australia who have received an invitation under the Chairman’s List Offer, and • the Clinician Participation Offer, which is being extended to Eligible Clinicians and comprises the Shares being issued as part consideration for the Acquisitions.</td>
<td>Section 7</td>
</tr>
<tr>
<td>What is the minimum application size?</td>
<td><strong>Underwritten Offer</strong> $2,000 for 2,000 Offer Shares, with incremental multiples of 500 Offer Shares (i.e. incremental multiples of at least $500). There is no maximum Application under the Underwritten Offer. <strong>Clinician Participation Offer</strong> Eligible Clinicians will be entitled to apply for that number of Shares they are entitled to be issued under their Acquisition Agreement. The maximum number of Shares to be issued under the Clinician Participation Offer is $7.5 million Shares. The Company reserves the right to scale back any Applications in the Clinician Participation Offer or Underwritten Offer.</td>
<td>Section 7</td>
</tr>
<tr>
<td>How do I apply?</td>
<td>If you are an eligible investor, you may apply for Offer Shares under the Clinician Participation Offer, Broker Firm Offer or Chairman’s List Offer by completing the applicable Application Form that forms part of, is attached to, or accompanies this Prospectus. To the extent permitted by law, an Application under the Offer is irrevocable.</td>
<td>Section 7.7</td>
</tr>
<tr>
<td>What do Applicants pay when applying under the Offer?</td>
<td>All Applicants under the Underwritten Offer will pay an Issue Price of $1.00 per Share. Shares issued to Eligible Clinicians will be issued under the Acquisition Agreements at an Issue Price of $1.00 per Share.</td>
<td>Section 7</td>
</tr>
</tbody>
</table>
What is the Allocation Policy?
The basis of allocation of Offer Shares under the Broker Firm Offer and Institutional Offer will be determined by the Underwriter in consultation with the Company. The company, after consultation with the Underwriter, will determine the allocation of Offer Shares to participants within the Chairman’s List Offer. Offer Shares will be issued under the Clinician Participation Offer in accordance with the terms of the Acquisition Agreements.

The Clinician Participation Offer is expected to close at 5.00 pm 23 August 2018. If the Clinician Participation Offer is not fully subscribed the aggregate number of Shares issued under that Offer will be reduced (ie any unsubscribed balance will not become available for allocation under the Underwritten Offer).

There is no assurance that any person under the Underwritten Offer will be allocated any Shares or the number of Shares for which they apply.

The Company reserves the right in its absolute discretion to not issue Offer Shares to Applicants under the Offer and may reject any Application or allocate a lesser amount of Offer Shares than those applied for at its absolute discretion.

When will I receive confirmation whether my Application has been successful?
The Company expects that holding statements confirming Applicants’ allocations under the Offer will be sent to successful Applicants by standard post on or around 6 September 2018.

When are the Shares expected to commence trading?
It is expected that trading of the Shares on the ASX will commence on or about 11 September 2018, subject to ASX confirmation. It is the responsibility of each Applicant to confirm their own holdings before trading on ASX, and any Applicant who sells their Shares before they receive an initial holding statement does so at its own risk.

Who is the Lead Manager and Underwriter?
Canaccord Genuity (Australia) Limited.

Is the Offer underwritten?
The Broker Firm Offer, Institutional Offer and Chairman’s List Offer are fully underwritten by Underwriter, Canaccord Genuity (Australia) Limited. If the Company does not receive applications for the full amount of $26.8 million Shares under those offers, Underwriter will subscribe for, or procure subscriptions for, any shortfall. The Clinician Participation Offer is not underwritten.

Is there any brokerage, commission or stamp duty payable by Applicants?
No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Offer Shares.

Who is the Share Registry used by the Company?
Link Market Services Limited. The Company’s Share Registry can be contacted by calling the Offer Information Line (within Australia) on 1800 990 479 between 8:30am and 5:30pm AEST.

What will be the capital structure of the Company at completion of the Offer?
On Completion of the Offer and the Acquisitions, the capital structure of the Company will be as set out below:

<table>
<thead>
<tr>
<th>Shares</th>
<th>Shares held</th>
<th>Percentage held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Shares</td>
<td>28.6 million shares</td>
<td>45.4%</td>
</tr>
<tr>
<td>Clinician Participation Offer</td>
<td>7.5 million shares</td>
<td>12.0%</td>
</tr>
<tr>
<td>Shares issued under the Offer</td>
<td>26.8 million shares</td>
<td>42.6%</td>
</tr>
<tr>
<td>Total Shares on issue at Completion of the Offer</td>
<td>63.0 million shares</td>
<td>100.00%</td>
</tr>
<tr>
<td>Topic</td>
<td>Summary</td>
<td>More information</td>
</tr>
<tr>
<td>-------</td>
<td>---------</td>
<td>------------------</td>
</tr>
<tr>
<td><strong>Are there any escrow arrangements?</strong></td>
<td>Yes. The Directors and Senior Managers and approximately 97% of the Shares held by the Existing Shareholders and those issued Shares under the Acquisition Agreements at Listing are expected to enter into restriction deeds with the Company in relation to the Shares held by them at the Prospectus Date, which collectively represent approximately 56.0% of the Shares on issue following Completion. The restrictions will apply for up to 24 months following Listing. The ASX may also require, as a condition of Listing, that certain of the persons' shares are escrowed for a period of time.</td>
<td>Section 11.6</td>
</tr>
<tr>
<td><strong>Can the Offer be withdrawn?</strong></td>
<td>The Company reserves the right not to proceed with any Offer at any time before the Allotment Date. If any Offer does not proceed, Application Monies will be refunded. No interest will be paid on any refunded Application Monies.</td>
<td>Sections 7, 8.2 and 8.3</td>
</tr>
<tr>
<td><strong>Can the Offer period be closed early or extended?</strong></td>
<td>The Company reserves the right to close any of the Offers early, extend the Offer Closing Date for any Offer or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Any change to the Offer Closing Date (including if closed early or extended) will have a consequential effect on the date for the issue of the Shares. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.</td>
<td>Section 7.22</td>
</tr>
<tr>
<td><strong>Is there a cooling-off period?</strong></td>
<td>No.</td>
<td>Not applicable</td>
</tr>
<tr>
<td><strong>Will the Company's Shares be listed?</strong></td>
<td>The Company will apply within seven days of the Prospectus Date to be admitted to the Official List and will seek quotation of the Shares on the ASX. Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn, and all Application Monies received will be refunded without interest as soon as practical in accordance with the requirements of the Corporations Act.</td>
<td>Section 7.19</td>
</tr>
<tr>
<td><strong>What are the tax implications of investing in the Shares?</strong></td>
<td>The tax consequences for an investor of any investment in the Shares will depend upon the investor’s particular circumstances. Applicants should read Section 10 and also obtain their own tax advice before deciding whether to invest.</td>
<td>Sections 7.21 and 10</td>
</tr>
<tr>
<td><strong>How can I obtain further information?</strong></td>
<td>If you would like more information or have any questions relating to the Offer, please call the Offer Information Line on 1800 990 479 (within Australia) between 8.30am and 5.30pm AEST. If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.</td>
<td>Important notices</td>
</tr>
</tbody>
</table>
02. Industry overview
2. Industry overview

2.1. Australian podiatry industry

2.1.1. Industry Overview
The Australian podiatry industry is typically reported as part of “Other Health Services” in Australia. In financial year FY17, Other Health Services generated total revenue of over $7.2 billion, with podiatry contributing to approximately 12%, or $864 million, of total Other Health Services revenue.

The podiatry services industry is involved in the provision of allied healthcare services. Podiatrist typically are dedicated to the diagnosis, prevention and management of medical conditions and injuries of the foot, ankle and lower limb. These services include biomechanical assessments, sports injury management, diabetic foot screenings, skin and nail treatment, minor skin and nail surgery, prescription and provision of foot orthotics and footwear and other general footcare.

The Australian podiatry workforce is reported to comprise approximately 5,000 professionals registered as podiatrist. In 2012, the average age of employed podiatrists was 37.6. Approximately 6 in 10 registered podiatrists (60%) are women.

2.1.2. Market trends
In the five financial years through to FY17 Other Health Services industry revenue is reported to have risen by an annualised rate of over 3.5% and is forecasted to grow at 2.4% annually in five years from 2017 to 2022. The industry growth is expected to from Australia’s ageing population, the projected rise in disposable incomes and an increase in health consciousness.

The number of consumers opting to take up private health insurance has also contributed to industry growth, with appropriate extras cover reducing out of pocket expenses for patients. In FY17, private health insurance is expected to cover in excess of 2.6 million podiatry sessions.

2.1.3. Key statistics
Published data indicates that:

- the podiatry industry is highly fragmented and there are no groups controlling a major share of the industry revenues
- the lowest Other Health Service attendance age group are those aged less than 17 years of age
- people in the age range of 18 to 64 years of age generally seek out Other Health Services more regularly
- awareness of podiatry services is low with less than half the population aware of the services a podiatrist can offer
- private health insurance participation drives industry revenue, as extras cover typically covers these services and assists by subsidising the cost of allied health services, and
- the podiatry industry has sensitivity to levels of household disposable income as only a small portion of services are covered by Medicare and other third-party insurers such as Department of Veterans Affairs, NDIS, WorkCover and other not for profit organisations. Individuals are more likely to spend more money on podiatry services when disposable levels of income are growing.

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28. Podiatry Board of Australia, 31 December 2017
29. A podiatrist is a practitioner who spends the majority of his or her time working in the area of clinical practice
30. Allied health workforce 2012
31. Podiatry Board of Australia, 31 December 2017
2.1.4. Podiatry services growth drivers

The Australian podiatry services industry is reported to be in a growth phase of its economic cycle.

The growth within the industry as a whole has been contributed to by the following factors:

2.1.4.1. Demand from consumers with health insurance

The prevalence of private health insurance with extras cover for podiatry services is relevant to the podiatry services industry, as patients with private health insurance have lower out-of-pocket costs and are more likely to visit a podiatrist.

2.1.4.2. Population

Population growth and increases in the average age of Australians positively influences the podiatry industry. As the population ages, older individuals seek out strengthening exercises and preventative treatments.

An increase in the median age of the population is expected to flow through and positively affect industry revenue.

2.1.4.3. Community awareness

Awareness of what services a podiatrist provides is still growing with market research conducted by the Group in 2017 indicating that less than half the population is aware of what a podiatrist offers. Furthermore, when people suffer a foot condition only 1 in 10 Australians surveyed said they would visit a podiatrist first, with 80% defaulting to their general practitioner.

As the awareness of the services that are provided by a podiatrist increase, so should the demand for these services.

2.1.4.4. Health consciousness

Australians are becoming more concerned about maintaining good health (health consciousness) and are more likely to use a variety of health services including podiatry. Health consciousness is forecasted to rise and expected to flow through and positively affect industry revenue.

2.1.5. Industry structure and competitive landscape

To provide podiatry services, and access to public and private funding, podiatrists are required to complete a university degree and subsequently be registered with the Australian Health Practitioner Regulation Agency (AHPRA). The Podiatry Board of Australia is appointed by AHPRA to oversee the industry.

Podiatrists are trained in nine universities in Australia, typically through a four-year Undergraduate Program. There are approximately 4,999 podiatrists working in the Australian podiatry industry, with 68.8% of all podiatrists being employed in private clinics. The remaining podiatrists are employed in community health, hospitals or in academic roles.

There are reported to be approximately 2,393 podiatry businesses in Australia. The Podiatry services industry is characterised by a moderate level of competition. MyFootDr is the largest private clinic group in Australia with no other competitors representing more than 1.0% of industry revenue. The Australian podiatry industry remains highly fragmented.

This industry structure results in more localised competition between podiatrists.

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32. Allied health workforce 2012
33. Allied health workforce 2012
34. IBISWorld Industry Report Q8539 Other Health Services in Australia, dated December 2016, includes industry data on podiatry services, and estimates there to be 19,939 businesses in Australia. Podiatry makes up 12.0% of the Other Health Services in Australia. 12% of the 19,939 are estimated to be podiatry clinics which equates to approximately 2,393 businesses.
35. IBISWorld Industry Report Q8539 Other Health Services in Australia, dated December 2016
2.2. Australian physiotherapy industry

2.2.1. Industry Overview

In Australia, physiotherapists make up the fifth largest group of registered primary health care professionals. Since 1976 physiotherapists have been practising as first contact or primary contact health professionals and no referral from a doctor is required to visit a physiotherapist.\(^{36}\)

Physiotherapy services account for approximately 1% of the national health care spent, with published data indicating that the Australian physiotherapy industry in FY17 generated total revenue of over $1.6 billion, provided over $693 million in wages and returned profits of over $312 million.

The physiotherapy services industry is involved in the provision of allied healthcare services. In private clinics patients are predominantly seeking sports, musculoskeletal and orthopaedic interventions.

The majority of patients attending private physiotherapy clinics in Australia do so without a referral from a doctor. Approximately 71% of patients are self-referred, whilst only about 20% rely on a referral from a general practitioner.\(^{37}\)

The Australian physiotherapy workforce is reported to comprise around 31,000\(^{38}\) professionals registered as physiotherapist. In 2012, the average age of employed physiotherapists was 38.6 and nearly 7 in 10 employed physiotherapists (68.8%) were women.\(^{40}\)

2.2.2. Market trends

In the five financial years through to FY17 industry revenue is reported to have risen by an annualised rate of over 3.5% and is forecast to grow at 2.8% annually in five years from 2017 to 2022.

Australia’s ageing population is expected to drive continued growth in demand for physiotherapy services, along with the projected rise in disposable incomes and an increase in health consciousness.

The number of consumers opting to take up private health insurance has also contributed to industry growth, with appropriate extras cover reducing out of pocket expenses for patients.

Increased specialisation is expected to occur over the next five years, resulting in a rising number of physiotherapy establishments across Australia. There are an increasing number of institutions now offering Bachelor and Postgraduate Degrees in physiotherapy which will allow the industry to keep up with the rising demand for more specialised physiotherapy services.

2.2.3. Key statistics

Published data indicates that:

- the physiotherapy industry is highly fragmented and there are no groups controlling a major share of the industry revenues
- the lowest physiotherapy attendance age group are those aged less than 24 years of age
- people in the age range of 25 to 64 years of age generally seek out physiotherapy services more regularly
- private health insurance participation drives industry revenue, as extras cover typically covers these services and assists by subsidising the cost of allied health services
- the demand for physiotherapy services increases when there is an increase in participation of organised and casual sports, and
- the physiotherapy industry has sensitivity to levels of household disposable income as services are generally not covered by Medicare. Individuals are more likely to spend more money on physiotherapy services when disposable levels of income are growing.


\(^{37}\) Report on the 2016 physiotherapy costs benchmarking study


\(^{39}\) A physiotherapist is a practitioner who spends the majority of his or her time working in the area of clinical practice. Allied health workforce 2012

\(^{40}\) Allied health workforce 2012
2.2.4. **Growth Drivers for Physiotherapy Services**

The Australian physiotherapy services industry is reported to be in a growth phase of its economic cycle, with the industry’s growing faster than the Australian economy.

The growth within the industry as a whole has been contributed to by the following factors:

2.2.4.1. **Demand from consumers with health insurance**

Physiotherapy services are generally not covered by Medicare. Physiotherapy is one of the four major ‘extras’ categories to which health insurers make payments, the others being dental, optometry and chiropractic.

The incidence of private health insurance with extras cover for physiotherapy services is therefore more relevant to the physiotherapy services industry, as patients with private health insurance have lower out-of-pocket costs and are more likely to visit the physiotherapy.

2.2.4.2. **Population**

Population growth and an increase in the average age of Australians positively influences the physiotherapy industry. As the population ages, older individuals seek out strengthening exercises and preventative treatments.

An increase in the median age of the population is expected to flow through and positively affect industry revenue.

2.2.4.3. **Health consciousness**

Australians are becoming more concerned about maintaining good health (health consciousness) and are more likely to use a variety of health services such as physiotherapy. Health consciousness is forecast to rise and expected to flow through and positively affect industry revenue.

2.2.4.4. **Industry History**

In Australia, only since 1976 have physiotherapists been able to practise as first contact, or primary contact health professionals. The growth of private physiotherapy clinics followed that 1976 decision and many of the original pioneers of private physiotherapy clinics are at retirement age and looking at their succession planning.

This historical fact within the physiotherapy industry creates a unique opportunity for the acquisition of successfully operated and profitable physiotherapy and allied health clinics. Many such clinics operate as allied health centres with complimentary allied health professionals already in place.

2.2.5. **Industry structure and Competitive Landscape**

To provide physiotherapy services, and access to public and private funding, physiotherapists are required to complete a university degree and subsequently be registered with the Australian Health Practitioner Regulation Agency (AHPRA), as well as be registered with the Physiotherapy Board of Australia to practise in Australia. The Physiotherapy Board of Australia is appointed by AHPRA to oversee the industry.

Physiotherapists are trained in 14 universities in Australia, typically through a four-year Undergraduate Program. There are approximately 31,000 physiotherapists working in the Australian physiotherapy industry.

There are reported to be over 5,920 physiotherapy businesses in Australia with 75.9% of these businesses located in the states of Victoria, New South Wales and Queensland. The physiotherapy services industry is characterised by a low level of competition. The industry’s top four enterprises accounted for less than 10% of industry revenue in 2016-17, with no one enterprise accounting for more than 3% of industry revenue in 2016-17. The Australian physiotherapy industry remains highly fragmented.

This industry structure results in more localised competition between physiotherapy clinics.

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Another corporate group is owned by Zenitas Limited, an ASX listed company, which operates physiotherapy clinics under a number of brands. It operates approximately 39 clinics across NSW, Victoria, Western Australia and Queensland under its LifeCare network, which incorporates the Health Networks Australia or LifeCare brands.

Two of the other main corporate operators (Back in Motion Health Group and The Physio Co) in the industry represent less than 3.0% of industry revenue. Back in Motion is a franchise and operates in over 60 locations. The Physio Co provides mobile physiotherapy services, primarily to the geriatric services niche market.
03. Company overview
3. Company overview

3.1. Introduction to Healthia

Healthia’s business model is to operate and expand a network of allied health businesses in Australia, with a focus on the podiatry and physiotherapy industries. Through managing a portfolio of allied health businesses, Healthia expects to generate operational improvements and deliver benefits for all stakeholders.

3.2. What is the Healthia Group

Healthia is the holding company of the Group.

Healthia was incorporated as a holding company on 10 May 2018 and acquired all the ordinary shares in My FootDr (Aust) Ltd (MFDA) from the Existing Shareholders (who became the shareholders of Healthia). The MFDA Group owned and operated the My FootDr Business. Healthia will be the entity that will list on the Australia Securities Exchange (ASX).

Healthia conducts its operations through three main operating subsidiaries in which it owns 100% of the ordinary Shares. These three subsidiaries are:

1. The MFDA Group currently owns and operates the 56 My FootDr Podiatry Clinics and iOrthotics and owns a 50% interest in D.B.S. Medical. MFDA has entered into Acquisition Agreements to acquire the 16 Podiatry Clinics Acquisitions.

2. Physiotherapy Group Holdings Ltd (PHL). PHL has entered into Acquisition Agreements to acquire the 14 Allsports Physiotherapy Clinics, the Allsports management business and the Allsports intellectual property, including the brand and the 9 Physiotherapy Clinic Acquisitions, and

3. A.C.N. 146 471 678 Pty Ltd (HTPL). HTPL has contracted to acquire the 7 Extend Rehabilitation Acquisitions.

The Healthia corporate structure after Completion of the Offer will be as follows:

Healthia Limited
ACN 626 087 223

My FootDr (Aust) Ltd
ACN 608 550 607
100% Ordinary Shares

Physiotherapy Group Holdings Ltd
ACN 161 205 983
100% Ordinary Shares

ACN 146 471 678 Pty Ltd
ACN 146 471 678
100% Ordinary Shares

408 clinic class shares issued at listing across 17 different classes of clinic shares

651 clinic class shares issued at listing across 22 different classes of clinic shares

168 clinic class shares issued at listing across 7 different classes of clinic shares

Legend
- Head Listed Entity
- Operating Subsidiaries

43. MFDA owns 100% of the ordinary shares in iOrthotics and 50% of the ordinary shares in D.B.S. Medical as well as a number of other wholly owned subsidiaries. The Group has entered into an agreement to acquire a further 25% of D.B.S. Medical on Listing. Completion of the acquisition is subject to a number of conditions being satisfied or waived.

44. Completion of the acquisitions are subject to a number of conditions being satisfied or waived.

45. To be renamed Allsports (Aust) Ltd following the acquisition of the Allsports intellectual property.

46. Completion of the acquisitions are subject to a number of conditions being satisfied or waived.

47. To be renamed Extend Rehabilitation (Aust) Pty Ltd following the acquisition of the Extend Rehabilitation Clinics.

48. Completion of the acquisitions are subject to a number of conditions being satisfied or waived.
3.3. The Businesses

Following completion of the Acquisitions, the Group will own the following businesses:

1. 72 podiatry Clinics which will operate under the My FootDr brand
2. 23 physiotherapy Clinics which will operate under the Allsports Physiotherapy brand
3. 7 hand therapy Clinics which will operate under the Extend Rehabilitation brand
4. iOrthotics, and
5. a 75% interest in D.B.S. Medical.

There is a possibility that Acquisitions may not complete prior to Listing, and also that the Company may enter into and complete new acquisitions. The key terms of the Acquisition Agreements and further information on the status of the Acquisitions are set out in Section 8.3.

At the date of the Prospectus, the Group has also entered into the Non-Binding Heads of Agreements, to acquire an additional 4 physiotherapy clinics. There is no certainty that the Group will enter into binding acquisition agreements for these clinics or complete these acquisitions.

Further details of the My FootDr Podiatry Clinics, the Allsports Physiotherapy Clinics, the Extend Rehabilitation Clinics, iOrthotics and D.B.S. Medical are set out below:

My FootDr

<table>
<thead>
<tr>
<th>Business History &amp; Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>My FootDr commenced operation out of its first Clinic in Brisbane, Queensland in 2004 and was founded by podiatrists Greg Dower and Darren Stewart. The business expanded from this Clinic to 19 podiatry Clinics by 31 December 2016, before merging with the Balance Podiatry Group. The business owns and operates 56 podiatry Clinics throughout Australia. My FootDr Podiatry Clinics provide foot and lower limb services which include biomechanical assessments, sports injury management, diabetic foot screenings, skin and nail treatment, minor skin and nail surgery, prescription and provision of foot orthotics and footwear and other general footcare. The My FootDr Business has a proven history of operating and expanding a network of podiatry clinics in Australia. In addition, the My FootDr Business has developed centralised management systems which allows it to efficiently manage its Clinics.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Clinic Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Its Clinics are in the following locations:</td>
</tr>
<tr>
<td>Region</td>
</tr>
<tr>
<td>Queensland</td>
</tr>
<tr>
<td>New South Wales</td>
</tr>
<tr>
<td>Victoria</td>
</tr>
<tr>
<td>Tasmania</td>
</tr>
<tr>
<td>South Australia</td>
</tr>
<tr>
<td>Western Australia</td>
</tr>
<tr>
<td>Northern Territory</td>
</tr>
</tbody>
</table>

49. The Group currently own a 50% interest in D.B.S Medical. The Group has entered into an agreement to acquire a further 25% of D.B.S. Medical on Listing. Completion of the acquisition is subject to a number of conditions being satisfied or waived.

50. There is no certainty that the Group will enter into binding acquisition agreements for these clinics or complete these acquisitions. No financial information has been included in this Prospectus for the 4 clinics under Non-Binding Heads of Agreement.

51. At the time of merging with My FootDr the Balance Podiatry Group consisted of 12 podiatry businesses located in Queensland, the Northern Territory and Western Australia.
Founders

Following Listing, the founders of the My FootDr Business and the Balance Podiatry Group will continue to be involved in the management of the My FootDr Business in the following roles:

<table>
<thead>
<tr>
<th>Founding Podiatrist</th>
<th>Job Title</th>
<th>Founder of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Darren Stewart</td>
<td>Chief Executive Officer - Podiatry</td>
<td>My FootDr</td>
</tr>
<tr>
<td>Glen Evangelista</td>
<td>Chief Operating Officer – Podiatry</td>
<td>Balance Podiatry</td>
</tr>
<tr>
<td>Gregory Dower</td>
<td>Chief Business Development Officer</td>
<td>My FootDr</td>
</tr>
<tr>
<td>Dean Hartley</td>
<td>Chief Information Officer</td>
<td>Balance Podiatry</td>
</tr>
</tbody>
</table>

Further details of each of the founding podiatrists can be found in Section 6.

Corporate Structure

Healthia owns all the ordinary shares in MFDA and the MFDA Group owns and operates the My FootDr Business. MFDA will become the acquirer of new podiatry clinics.

MFDA can issue Clinic Class Shares. Upon Listing, it is expected that approximately 408 Clinic Class Shares will be on issue in MFDA, representing an interest of approximately 2.6% in the NPAT of the MFDA Group.

Other Podiatry Clinics

MFDA has contracted to acquire an additional 16 podiatry Clinics. 11 of these Clinics are located within the Allsports Physiotherapy Clinics.

The location of the 5 Podiatry Clinic Acquisitions that are not located within the Allsports Physiotherapy Clinics are as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Clinics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queensland</td>
<td>1 Clinics</td>
</tr>
<tr>
<td>Victoria</td>
<td>4 Clinics</td>
</tr>
</tbody>
</table>

Allsports

Business History & Overview

The first Allsports Physiotherapy Clinic was established in 1992 in Brisbane, Queensland. In 1996 Tony Ganter and Lisa Roach played pivotal roles in the expansion of the Allsports Physiotherapy Clinics. The business has expanded to 14 Clinics, with a workforce of 115 physiotherapists.

The Clinics operate under the Allsports Physiotherapy brand with common systems and process, however, the ownership interests in each Clinic are different.

The Allsports Physiotherapy Clinics provide a broad range of physiotherapy services, including musculoskeletal, sports, Pilates, hydrotherapy, women’s health and paediatrics. In addition to this, some Clinics offer other complimentary allied health services including, but not limited to, the following:

<table>
<thead>
<tr>
<th>Allied Health Service</th>
<th>Number of Clinics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Podiatry</td>
<td>11 Clinics</td>
</tr>
<tr>
<td>Hand therapy</td>
<td>3 Clinics</td>
</tr>
<tr>
<td>Pilates</td>
<td>4 Clinics</td>
</tr>
</tbody>
</table>

The founders of Allsports have a proven history of identifying, acquiring, integrating and managing a network of physiotherapy clinics in Queensland.

Clinic Locations

Its Clinics are in the following locations in Queensland:

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Clinics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brisbane</td>
<td>13 Clinics</td>
</tr>
<tr>
<td>Gold Coast</td>
<td>1 Clinics</td>
</tr>
</tbody>
</table>

52 The number of Allsports Physiotherapy Clinics in which these other allied health services are provided.
Founders
The Allsports Physiotherapy Clinics will continue to be managed by its existing management team:

<table>
<thead>
<tr>
<th>Physiotherapist</th>
<th>Job Title</th>
<th>Founder of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tony Ganter</td>
<td>Chief Executive Officer - Physiotherapy</td>
<td>Allsports</td>
</tr>
<tr>
<td>Lisa Roach</td>
<td>Chief Operating Officer - Physiotherapy</td>
<td>Allsports</td>
</tr>
</tbody>
</table>

Corporate Structure
Healthia owns all the ordinary shares in PHL. PHL has contracted to acquire the 14 Allsports Physiotherapy Clinics and the Allsports intellectual property, including the brand. PHL will become the acquirer of new physiotherapy clinics.

PHL can issue Clinic Class Shares. At completion of the Allsports Physiotherapy Acquisitions, 28 of the 30 Clinicians associated with sellers under the Allsports Physiotherapy Acquisitions will be issued Clinic Class Shares in connection with the sale of their Clinics.

Upon Listing, it is expected that approximately 651 Clinic Class Shares will be on issue in PHL, representing an interest of approximately 21.5% in the NPAT of PHL.

Other Physiotherapy Clinic Acquisitions
PHL has contracted to acquire 54 a further 9 physiotherapy Clinics.

All the physiotherapy clinics are located in Queensland.

PHL has entered into the Non-Binding Heads of Agreements to acquire an additional 4 physiotherapy Clinics. All of these physiotherapy Clinics are located in Queensland.

Extend Rehabilitation
Business History & Overview
The Extend Rehabilitation Clinics were founded in Brisbane, Queensland in 2002 by Mary Mitchell (physiotherapist), Wilma Walsh and Marguerite Copley (occupational therapists). Extend Rehabilitation is dedicated to caring for the hand and upper arm; including injuries to the hand, wrist, elbow and shoulder and neck, as well as offering general musculoskeletal physiotherapy.

Extend Rehabilitation has grown to 7 Clinics throughout Brisbane with 3 of those Clinics being co-located inside an Allsports Physiotherapy Clinic.

Corporate Structure
Healthia owns all the ordinary shares in HTPL. HTPL has contracted to acquire the Extend Rehabilitation Clinics.

HTPL can issue Clinic Class Shares. At completion of the Extend Rehabilitation Acquisitions, all 3 founding partners will continue to have an economic interest in the Clinics through ownership in Clinic Class Shares.

At Listing it is expected that approximately 168 Clinic Class Shares will be on issue in HTPL, representing an interest of approximately 24% in the NPAT of HTPL.

iOrthotics
Business History & Overview
iOrthotics is an orthotics laboratory which was established as part of the expansion of the Balance Podiatry Group by Glen Evangelista, Dean Hartley and Damian Vassallo in 2009. MFDA acquired this business as part of the merger with the Balance Podiatry Group in December 2016.

iOrthotics designs and manufactures custom made milled foam rubber (EVA) and 3D printed orthotic devices, using computer software and hardware. Research and development undertaken by iOrthotics has established systems to produce 3D printed orthotics which has reduced wastage and are more cost effective compared to other production methods and are also high in quality.

iOrthotics provides the Group an integrated vertical solution for the supply of custom orthotics to My FootDr Podiatry Clinics. This vertical integration allows the Group to lower its costs of production of orthotics and realise margin improvements from the running of a large network of podiatry clinics. As the number of podiatry clinics owned by the Group increases, iOrthotics production numbers are also expected to increase.

Corporate Structure
MFDA is the owner of all the ordinary shares in iOrthotics.

53. Completion of the acquisitions are subject to a number of conditions being satisfied or waived.
54. Completion of the acquisitions are subject to a number of conditions being satisfied or waived.
55. There is no certainty that the Group will enter into binding acquisition agreements for these Clinics or complete these acquisitions.
56. Completion of the acquisitions are subject to a number of conditions being satisfied or waived.
3.4. Key features of the Healthia business model

The Healthia business model is to operate and expand the Clinics and other allied health businesses in accordance with disciplined management criteria. The Group intends to achieve this by identifying, acquiring and integrating new clinics and organically growing its portfolio of clinics and other allied health businesses.

Directors believe the Healthia model will benefit patients, staff and Shareholders.

Healthia’s Board and Senior Management team aim to drive growth through the following five-tiered growth strategy:

1. patient focused outcomes
2. organic growth
3. future accretive acquisitions
4. vertically integrated businesses units, and
5. new clinic openings.

Key aspects of each of the five growth strategies are as follows:

3.4.1. Patient focused outcomes

The Patient Charter adopts a collaborative approach to allied health care and is focussed on achieving quality patient outcomes. Through this approach, Healthia expects its clinics, and its clinicians, will optimise patient outcomes by:

- providing evidence based treatments
- having greater interdisciplinary cooperation
- providing patients with cross disciplinary education
- providing efficient delivery of care through the co-location of services, and
- giving patients access to well-equipped facilities.

In addition to focussing on patient outcomes, the Group has in place programs to assist in increasing patient retention rates.
3.4.2. **Organic growth**

Organic growth will be driven through the introduction of key strategies and efficiencies gained from managing a larger group of clinics.

Healthia has designed and implemented various programs to assist in generating organic growth for the Clinics including:

3.4.2.1. **Implementation of education programs and Clinical Advisory Committees**

Healthia aims to achieve best practice clinical standards in all of the allied health services to be provided by the Group. By providing the necessary training and equipment to clinical, and non-clinical staff, the Company expects to achieve these standards.

Healthia has systems and processes in place to enable monitoring of clinical governance and compliance. A Podiatry Clinical Advisory Committee and Physiotherapy Clinical Advisory Committee, comprising of experienced Clinicians, will oversee the clinical governance, compliance and education programs of the Group. These committees will monitor and be responsible for the education of clinicians and the quality of service delivery by its Clinics.

Healthia expects that by providing improved education this will provide staff with better career progression and patients with better quality of service.

3.4.2.2. **Clinician Retention Program**

Healthia’s Clinician Retention Program allows for clinicians (or their Board approved nominees), or a Board approved holder, to have ownership in the Clinics of the Group, through the issue of Clinic Class Shares to them.

The Clinician Retention Program involves former owners of the Clinics or clinicians employed by the Group (or their Board approved nominees) to enter into arrangements to purchase Clinic Class Shares. For an upfront contribution, the holder is entitled to an agreed proportion of the earnings generated by the relevant Clinic, as well as retaining exposure to movements in the capital value of the Clinic.

The Directors consider that this helps to maintain alignment between clinicians, the Group and Shareholders.

Additional information on the Clinician Retention Program can be found in Section 3.8.

3.4.2.3. **Increasing revenue of acquired clinics by introducing additional services**

Of the 14 Allsports Physiotherapy Clinics, 11 of these Clinics already have podiatry services and 3 have hand therapy services being offered from them. Where podiatry services and hand therapy services do not already exist, and there is a demand for these services, Healthia will leverage its workforce of podiatrists and hand therapists to include these services into these physiotherapy clinics.

3.4.2.4. **Patient engagement**

A key issue facing allied health clinics is patient retention, satisfaction and communication. Clinics often have patient retention programs that are either non-existent or poorly managed. The Group intends to work with its Clinics to attract new patients through various marketing initiatives and campaigns (both locally and nationally), and to enhance communication and behavioural skills of employed staff to improve patient retention.

The Groups Patient Charter adopts a collaborative approach to allied health care and is focussed on achieving quality patient outcomes and engagement.

3.4.2.5. **Investment in equipment to introduce additional services**

Healthia plans to invest in new equipment and equipment upgrades to expand the services provided in its clinics. This will occur where Senior Management has assessed there is a demand for these services, internal returns on the cash deployed will yield returns in line or greater than benchmark
results or where it is expected the expansion of services into clinics will deliver better patient care and additional revenue and profit for the Group.

3.4.2.6. **Centralised Administration**

Healthia’s support office will be responsible for providing integrated and centralised administrative and organisational support to the Clinics. Centralised functions include finance, education, information technology, human resources, payroll and marketing. This will allow professional staff to focus on clinical delivery for patients.

3.4.2.7. **Clinic management software**

All of the Clinics are expected to operate on a common clinic management software system, with 69 Clinics (62 podiatry and 7 physiotherapy Clinics) operating from this system from Listing. It is expected that all the Clinics will be operating from this clinic management software system. Having all Clinics on one clinic management system allows for ease of management of the Group, enhanced financial reporting and delivery of benchmarking metrics, as well as providing for stronger internal controls than that of a decentralised model.

3.4.3. **Acquisitions**

Given the fragmented nature of the targeted allied health industries, growth by acquisition will be a central pillar of Healthia’s growth strategy. The Group intends to acquire new clinics and it will assess opportunities on a case by case basis with reference to its existing network of Clinics, strategic objectives and the Group’s acquisition criteria. From time to time the Group will also consider acquiring additional B2B Businesses, where an investment will further the strategic objectives of the Group.

Additional information on the Group’s acquisition criteria can be found in Section 3.6.

3.4.4. **Vertically integrated businesses units**

Healthia’s ownership of iOrthotics and its interest in D.B.S. Medical allows the Group to vertically integrate a number of the core supply functions of the Group’s podiatry businesses, allowing for cost savings and margin improvements to occur.

A large portfolio of clinics should allow Healthia to source goods, services and equipment at better rates than smaller operators.

3.4.5. **New Clinic openings**

Four new My FootDr Clinics and Allsports Physiotherapy Clinics have been opened in the last two years. Healthia will pursue the opening of further clinics where:

- a multidiscipline allied health clinic can be anchored by physiotherapy and/ or podiatry services. Additional services that may be provided from these sites may include hand therapy, Pilates, paediatric, nutritionists and sports doctors, and
- a professional service and footwear retail clinic can be located within a shopping centres.

Where possible, each new clinic would:

- be supported by demographic studies, prepared by an independent third-party demographer
- include key clinicians (or their Board approved nominee) as holders of local clinic ownership through the issue to them of Clinic Class Shares
- have rental rates which fit within benchmarks for clinics of these types
- allow the Company to leverage its vertically integrated business units to find cost savings in the new clinics, and
- provide long term targeted returns on capital to be equal to or higher than the Group’s internal rate of return.
3.5. Geographic spread of Clinics

Following completion of the Acquisitions\(^57\), the Group expects to operate 104 Clinics, from 88 various locations across Australia\(^58\), including:

<table>
<thead>
<tr>
<th>Region</th>
<th>Podiatry Clinics</th>
<th>Physiotherapy Clinics</th>
<th>Hand Therapy Clinics</th>
<th>Other Businesses</th>
<th>Total No of Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queensland</td>
<td>37</td>
<td>23</td>
<td>7</td>
<td>1</td>
<td>67</td>
</tr>
<tr>
<td>New South Wales</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Victoria</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Tasmanian</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>South Australia</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Western Australia</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>72</strong></td>
<td><strong>23</strong></td>
<td><strong>7</strong></td>
<td><strong>2</strong></td>
<td><strong>104</strong></td>
</tr>
</tbody>
</table>

Healthia sees significant opportunities in all states and territories of Australia and intends to undertake targeted expansion in accordance with its acquisition criteria (see further below at Section 3.6).

3.6. Acquisition criteria

Given the fragmented nature of the physiotherapy and podiatry industries, growth by acquisition will be a central pillar of Healthia’s growth strategy.

My FootDr Business and Allsports Physiotherapy Clinics have proven track records of identifying, acquiring and integrating new clinics into their groups with 41\(^59\) new clinics being acquired by the groups in the last 24 months. Furthermore, Healthia’s Senior Management and Board have developed an assessment methodology based on industry benchmarks and relevant industry expertise which has helped identify suitable clinics.

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\(^57\) Completion of the acquisitions are subject to a number of conditions being satisfied or waived.

\(^58\) Number of Clinics may not equate to the number of fixed premises. A single Clinic may have multiple outlets.

\(^59\) Includes the acquisition of the Balance Podiatry Group consisting of 12 podiatry businesses located in Queensland, the Northern Territory and Western Australia.
The key criteria developed by Healthia in relation to podiatry and physiotherapy clinics include the following:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Podiatry Clinics</th>
<th>Physiotherapy Clinics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>&gt; $450,000 per annum</td>
<td>&gt; $800,000 per annum</td>
</tr>
<tr>
<td>Costs/ Expenses</td>
<td>Ratios to be at acceptable levels relative to industry benchmarks. Costs to be normalised to include seller’s wages/ payroll tax/ market rents etc</td>
<td>Ratios to be at acceptable levels relative to industry benchmarks. Costs to be normalised to include seller’s wages/ payroll tax/ market rents etc</td>
</tr>
<tr>
<td>EBITDA/ Profit</td>
<td>Profitable operating history</td>
<td>Profitable operating history</td>
</tr>
<tr>
<td>No of FTE Clinicians</td>
<td>1.5 or more podiatrists</td>
<td>4 or more physiotherapists</td>
</tr>
<tr>
<td>Valuation metrics</td>
<td>Appropriate valuation metrics</td>
<td>Appropriate valuation metrics</td>
</tr>
<tr>
<td>Target Locations</td>
<td>Capital and major regional cities of Australia (population of greater than 40,000)</td>
<td>Capital and major regional cities of Australia (population of greater than 40,000)</td>
</tr>
<tr>
<td>Other</td>
<td>Opportunity to leverage off our vertically integrated business units of iOrthotics and D.B.S. Medical. Favourable demographics in the trade area allowing for increased bio mechanical work. Likelihood of the clinic achieving or exceeding appropriate clinical standards. All acquisitions expected to be earnings per share accretive.</td>
<td>Clinic has space capable of growth without significant investment, including the introduction of additional allied health services such as podiatry. Favourable demographics in the trade area. Likelihood of the clinic achieving or exceeding appropriate clinical standards. All acquisitions expected to be earnings per share accretive.</td>
</tr>
</tbody>
</table>

### 3.7. Integration of Acquisitions

A key focus for the Board and Senior Management is the integration of the Acquisitions to realise the targeted synergies and benefits. Healthia believes it can achieve this integration considering the background and expertise of the Senior Management team and the operating history of the My FootDr Business and Allsports Physiotherapy Clinics.

The Group has developed a detailed integration plan to ensure consistency in implementation of systems and operational processes, as well as clear communication protocols for staff and patients. This integration plan has been used by the My FootDr Business to help assist it with integrating of 4160 Clinics over the last 24 months. The Group is continuously developing and refining the integration process. The Group’s integration plan has been customised for the Allsports Physiotherapy Clinics and all other acquisitions.

The My FootDr Business has established back-office systems (including, finance, payroll and human resources), together with associated policies and procedures. The Acquisitions will be integrated into these systems which will facilitate reporting and monitoring of Clinic performance, enable management to identify and respond in a timely manner to issues arising at any Clinics and ensure risks of the Group are adequately managed.

Plans for supplier rationalisation of the established supply chains, including the vertically integrated business units of iOrthotics and D.B.S. Medical, are already in operation but will form part of the integration plan for new acquisitions.

The Group’s ability to deliver a smooth integration process is expected to be assisted by the Clinician Retention Program, as clinicians (or their Board approved nominees) will continue to own a percentage of the local Clinic they work in, aligning the interest of the key clinician/s with that of Shareholders. As part of the Clinician Retention Program, education and training programs have been established by the My FootDr Business and the Allsports Physiotherapy Clinics. These education programs are intended to support clinicians working within Clinics, from new graduates to experienced staff members, enabling them to become more skilful practitioners, as well as encouraging staff retention.

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60 Includes the integration of the Balance Podiatry Group consisting of 12 podiatry businesses located in Queensland, the Northern Territory and Western Australia.
3.8. Clinician Retention Program

A key focus for the Board and Senior Management is the retention and engagement of its workforce. Healthia believes its Clinician Retention Program can achieve this through the following key strategies:

3.8.1. Structured education and training

Education and training programs have been established by the My FootDr Business and the Allsports Physiotherapy Clinics. These education programs are intended to support clinicians working within Clinics, from new graduates to experienced clinicians, enabling them to become more skilful practitioners.

The impact of these structured and focused education programs is expected to allow Healthia the ability to attract and retain high quality staff, as well as meet and exceed the expectations of a changing workforce.

3.8.2. Clinic Class Shares

Healthia’s business model allows for clinicians to have continued ownership in the Clinic in which they work through the issue to them (or their Board approved nominee) of Clinic Class Shares. Clinic Class Shares have and will be issued to:

- clinicians (or their nominees approved by the relevant board), as part consideration for the acquisition of a clinic by the Group,
- clinicians (or their nominees approved by the relevant board) for consideration, and
- any other holder that is approved by the relevant board for consideration.

The Clinic Class Shares are designed to create alignment between the economic interests of clinicians and that of the Shareholders by providing the holder with an economic interest in the performance of the Clinic in the Group. The Clinic Class Shares are non-voting shares.

Holders of Clinic Class Shares will receive a cash dividend calculated by reference to the earnings derived from the Clinic relating to that class of Clinic Class Share in circumstances where, at the directors discretion, a dividend is declared by the relevant Subsidiary to the Company. Each Clinic Class Share will entitle the holder to a dividend of up to 1% of the earnings generated by the Clinic to which the Clinic Class Share relates.

No more than 48 Clinic Class Shares can be issued in any class. As each Clinic Class Share entitles the holder to up to 1% of the after-tax profits generated by the clinic, the effect of this is that the holders of Clinic Class Shares will not hold an economic interest of greater than 48% of the earnings generated by any clinic, ensuring that the Company retains economic control over its Subsidiaries, in addition to owning all of the voting shares in them.

At Listing, there will be approximately 1,227 Clinic Class Shares, in 46 different classes on issue in the Company’s operating Subsidiaries. Those Clinic Class Shares will represent an economic interest of approximately 14.4% in the earnings of the Group.

The Directors consider that this strategy helps to maintain alignment between key clinicians and the Group. Furthermore, by providing a clear career path from a graduate clinician to a clinic owner, it’s believed this will assist the Group with clinician retention.

3.8.3. Larger well-equipped Clinics

Healthia aims to provide Clinics which are well equipped, utilising the latest technology and procedures, providing workplaces which Clinicians wish to work in.

3.8.4. Community engagement

Healthia will provide opportunities for clinicians and staff to engage in community and social activities, including opportunities to network with other health professionals, sporting groups and the general public. Activities will be designed to build team spirit, company loyalty and engagement with the community.

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61. Each Clinic Class Share class relates to a clinic e.g. if the Group owns 80 clinics the maximum number of Clinic Class Shares that can be issued is 3,840 (80 classes multiple by 48 shares in each class)
04. Financial information
4. Financial Information

4.1. Introduction

The historical financial information (Historical Financial Information) and forecast financial information (Forecast Financial Information) of Healthia (together, the Financial Information) contained in this Section 4 has been prepared by the Directors of Healthia.

The Financial Information has been provided by the Directors to potential investors to assist with their understanding of the historical financial performance, cash flows and financial position and the forecast financial performance and cash flows of Healthia had it operated from 1 July 2015.

Healthia reports on a financial year ending 30 June and a half year ending 31 December.

The pro forma Historical Financial Information (the Pro Forma Historical Financial Information) comprises:

- the summarised pro forma historical consolidated statement of profit or loss for the financial years ended 30 June 2016 (FY16) and 30 June 2017 (FY17) and the six-month periods ended 31 December 2016 (H1 FY17) and 31 December 2017 (H1 FY18)
- the summarised pro forma historical consolidated cash flow information for FY16, FY17, H1 FY17 and H1 FY 18, and
- the pro forma historical consolidated statement of financial position as at 31 December 2017.

The statutory Historical Financial Information (the Statutory Historical Financial Information) comprises:

- the summarised statutory historical consolidated statement of profit or loss for FY16, FY17, H1 FY17 and H1 FY18
- the summarised statutory historical consolidated cash flow information for FY16, FY17, H1 FY17 and H1 FY 18, and
- the statutory historical consolidated statement of financial position as at 31 December 2017.

The pro forma Forecast Financial Information (the Pro Forma Forecast Financial Information) comprises:

- the summarised pro forma forecast consolidated statement of profit or loss for the financial year ended 30 June 2018 (FY18) and 30 June 2019 (FY19), and
- the summarised pro forma forecast consolidated cash flow information for FY18 and FY19.

The statutory Forecast Financial Information (the Statutory Forecast Financial Information) comprises:

- the summarised statutory forecast consolidated statement of profit or loss for FY18 and FY 19, and
- the summarised statutory forecast consolidated cash flow information for FY18 and FY19.

Also set out in this Section 4 is:

<table>
<thead>
<tr>
<th>Information</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>The basis of preparation and presentation of the financial information</td>
<td>Section 4.2</td>
</tr>
<tr>
<td>Pro forma historical and forecast consolidated statements of profit or loss</td>
<td>Section 4.3</td>
</tr>
<tr>
<td>Statutory Forecast Consolidated Statements of Profit or Loss</td>
<td>Section 4.4</td>
</tr>
<tr>
<td>Reconciliation of the statutory historical and forecast consolidated statements of profit or loss to the pro forma historical and forecast consolidated statement of profit and loss</td>
<td>Section 4.5</td>
</tr>
<tr>
<td>Reconciliation of statutory historical and forecast revenue to the pro forma historical and forecast revenue</td>
<td>Section 4.6</td>
</tr>
<tr>
<td>Pro forma historical and forecast consolidated cash flow information</td>
<td>Section 4.7</td>
</tr>
<tr>
<td>Summarised Statutory Forecast Consolidated Cash Flow Information</td>
<td>Section 4.8</td>
</tr>
</tbody>
</table>
4.2. Basis of Preparation and Presentation of the Financial Information

4.2.1. Overview

The Financial Information presented in this section has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the significant accounting policies set out in Section 4.16.

The Financial Information is presented in an abbreviated form and does not contain all the disclosures and comparative information usually provided in an annual report prepared in accordance with the Australian Accounting Standards and the Corporations Act.

4.2.2. Summary of items included in the Financial Information

The consolidated financial information set out in this Prospectus includes results from the following operations:\footnote{Completion of the Acquisitions is subject to a number of conditions being satisfied or waived.}

- MFDA – consisting of the 56 My FootDr Podiatry Clinics located throughout Australia currently owned by MFDA and iOrthotics and D.B.S. Medical.
- The audited physiotherapy acquisitions – consisting of 14 Allsports Physiotherapy Clinics and the management company of those Clinics, 7 Extend Rehabilitation Clinics and 1 physiotherapy Clinic from the Physiotherapy Clinic Acquisitions (Audited Physiotherapy Acquisitions). All businesses are located in South East Queensland.
- The other acquisitions – consisting of 16 podiatry Clinic Acquisitions and 8 physiotherapy Clinics from the Physiotherapy Clinic Acquisitions located throughout Australia (Other Acquisitions).
Healthia – Healthia was incorporated on 10 May 2018 to acquire MFDA, the Audited Physiotherapy Acquisitions and the Other Acquisitions and to be the entity that will list on the Australia Securities Exchange (ASX). Healthia is expected to acquire MFDA on or around 30 July 2018 and will acquire the Audited Physiotherapy Acquisitions and the Other Acquisitions at or around Listing.

No financial information has been included in this Prospectus for the 4 clinics under Non-Binding Heads of Agreement.

Figure 4.1 sets out the entities included in the Financial Information for each period.

**Figure 4.1: Entities included in the Financial Information for each period**

<table>
<thead>
<tr>
<th>Group</th>
<th>FY16 Historical</th>
<th>FY17 Historical</th>
<th>H1 FY18 Historical</th>
<th>FY18 Forecast</th>
<th>FY19 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFDA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audited Physiotherapy Acquisitions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Acquisitions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Legend
- ◀️: Statutory Historical
- 🆙: Pro Forma Historical
- 🔴: Statutory and Pro Forma Forecast

### 4.2.3. Accounting for combination of Healthia and MFDA

Healthia was incorporated as a holding company on 10 May 2018 and acquired all the ordinary shares in MFDA, and has contracted to acquire the Audited Physiotherapy Acquisitions and the Other Acquisitions and is the entity proposed to list on the Australia Securities Exchange (ASX). Healthia has not traded between incorporation and the date of acquisition of MFDA. As a result, it has not been separately identified in the Financial Information included in this Prospectus.

On, or around, 30 July 2018, Healthia is expected to acquire all of the shares of MFDA.

In accordance with Australian Accounting Standards the acquisition of MFDA is not expected to meet the definition of a business combination within the provisions of AASB 3 Business Combinations as Healthia was established for the sole purpose of acquiring MFDA by way of equity and cash consideration. Therefore, Healthia expects to apply the continuation method of accounting for the combination of these entities in future financial statements.

Under continuation accounting Healthia is effectively adopting book value accounting whereby the assets and liabilities of the legal acquiree (MFDA) are recognised at their previous carrying amounts. No adjustments are made to reflect fair values and no new assets (including goodwill) and liabilities of the legal acquiree are recognised at the date of the business combination. Any difference between the acquired net assets and the consideration will be recognised through ‘Pre-IPO distributions to related parties’ in equity.

Additionally, the comparative financial information includes that of the Group as if it existed in its current structure at 1 July 2017. As a result, the Statutory Historical Financial Information included in this Financial Information Section is that of MFDA as detailed in Figure 4.1.

The concurrent acquisitions of the Physiotherapy Acquisitions and the Other Acquisitions have been accounted for in the pro forma historical consolidated statement of financial position as at 31 December 2017 using the acquisition method of accounting whereby the excess of consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. In the majority of the Acquisitions, the Group has agreed to acquire the business and assets of the relevant Clinics under a business sale agreement. However, some of the Physiotherapy Acquisitions will occur by the Group acquiring the share capital of the company that owns and operates the relevant Clinic.
For the purposes of the Pro Forma Historical Consolidated Statement of Financial Position as detailed in Section 4.11, the assets and liabilities of the Audited Physiotherapy Acquisitions and the Other Acquisitions have been recorded at their provisional fair values. Under Australian Accounting Standards Healthia has 12 months from the date of acquisition to complete its acquisition accounting in accordance with AASB 3 Business Combinations.

The increase in intangible asset values of $32.6m has been allocated to goodwill and identifiable intangible assets. This allocation is based on provisional estimates by Healthia.

The summarised pro forma historical and forecast consolidated statement of profit or loss as detailed in Section 4.3, and the summarised pro forma historical and forecast consolidated cash flow information as detailed in Section 4.7, incorporates the results of MFDA, the Audited Physiotherapy Acquisitions and the Other Acquisitions as if they had operated as a single consolidated group for FY16, FY17, H1 FY17 and H1 FY18.

4.2.4. Preparation of Statutory Historical Financial Information

The Statutory Historical Financial Information has been compiled using the audited general purpose financial statements of MFDA for FY16, FY17 and the reviewed interim financial statements for H1 FY18 (including comparatives).

The FY16 and FY17 financial statements of MFDA were audited by BDO Audit. BDO Audit issued a qualified audit opinion with an emphasis of matter in relation to going concern for both the FY16 and FY17 financial statements, for the reasons set out below.

BDO Audit was appointed as auditor of MFDA on 22 February 2018 and, as a result, was unable to attend the inventory counts as at 30 June 2016 or 30 June 2017. BDO Audit issued a qualified audit opinion in relation to non-attendance of the physical inventory counts as at 30 June 2016 and 30 June 2017.

As information relating to opening inventories is required to determine the financial performance and cash flows, the audit opinion qualified the inventories and cost of goods sold reported in the statement of financial position, statement of profit or loss and other comprehensive income and cash flows from operating activities in the statement of cash flows for FY16 and FY17.

The reviewed financial statements for H1 FY18 (including comparatives) were reviewed by BDO Audit. BDO Audit issued a qualified review conclusion, due to the non-attendance of the physical inventories count detailed above, with an emphasis of matter in relation to going concern.

The emphasis of matters for FY16, FY17 and H1 FY18, as mentioned above and in relation to going concern, draws attention to the working capital deficiency at each reporting date which is due to bank and other loans being classified as current liabilities. The emphasis of matters also draw attention to the pending refinancing of those existing bank loans and proposed listing on the ASX.

4.2.5. Preparation of Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared for the purpose of this Prospectus only. The Pro Forma Historical Financial Information is a compilation of:

- The information used to compile the Statutory Historical Financial Information, detailed directly above.
- The audited aggregated historical financial statements of the Audited Physiotherapy Acquisitions for FY17 and reviewed financial statements for H1 F18 (including comparatives). The FY17 financial statements of the Audited Physiotherapy Acquisitions were audited by BDO Audit and the H1 FY18 financial statements (including comparatives) were reviewed by BDO Audit. BDO Audit issued an unmodified audit opinion on the FY17 financial statements of the Audited Physiotherapy Acquisitions and an unmodified review conclusion on the H1 FY18 financial statements of the Audited Physiotherapy Acquisitions, both with an emphasis of matter in relation to going concern. The emphasis of matter in relation to going concern draws attention to the acquisition of the Audited Physiotherapy Acquisitions by Healthia and their continued ability to generate positive cash flows.
• The unaudited management accounts for the otherwise Audited Physiotherapy Acquisitions for FY16. The unaudited FY16 financial information included in this prospectus for the otherwise Audited Physiotherapy Acquisitions for FY16 has been reviewed by BDO Audit as the Investigating Accountant.

• The unaudited management accounts for the Other Acquisitions for FY16, FY17, H1 FY18 (including comparatives). The underlying financial information included in this section of the Prospectus related to the Other Acquisitions for FY16, FY17, H1 FY18 (including comparatives) has been reviewed by BDO Audit as the Investigating Accountant.

The Pro Forma Historical Financial Information has been compiled based on the above financial information and pro forma adjustments including the following:

• The recognition of the acquisition of the Audited Physiotherapy Acquisitions and the Other Acquisitions as if they had been completed on 1 July 2015.

• Removal of acquisition costs.

• Inclusion of corporate overhead costs associated with operating as a listed public company or as a larger consolidated group.

• Inclusion of depreciation for plant and equipment of MFDA and the Acquisitions and the amortisation of customer lists of MFDA and the Acquisitions, had MFDA and the Acquisitions been owned during the period.

• Removal of dividends received from subsidiaries.

• Other normalisation adjustments to remove any items relating to the pre-ownership cost structures of the Audited Physiotherapy Acquisitions and the Other Acquisitions that are not expected to continue post acquisition.

• Inclusion of operating revenue and expenses had MFDA and the Acquisitions been owned during the period.

• Inclusion of net finance costs relating to the capital structure proposed to be in place following the Completion of the Offer.

• Inclusion of other adjustments to reflect the operating structures that are proposed to be in place following Completion of the Offer.

• Adjustments to reflect the impact of income tax on Healthia from the new capital and operating structure proposed to be in place following Completion of the Offer.

Reconciliations have been provided to compare the Statutory Historical Financial Information with the Pro Forma Historical Financial Information at the following levels:

• NPAT.

• net free cash flow before financing, tax, dividends and non-controlling interest dividends.

• revenue.

The Pro Forma Historical Financial Information (other than the Pro Forma Historical Statement of Financial Position) includes the operating results of businesses owned by MFDA and the Acquisitions as if they were acquired on 1 July 2015. Where a business has been acquired or established by MFDA during FY16, FY17, H1 FY17 and H1 FY18, its operating results have been included in the Statutory Historical Financial Information from the date the business was acquired or established.

Regarding MFDA, it should be noted that:

• My FootDr (Aust) Ltd was incorporated in November 2015 and acquired the 13 then existing My FootDr Clinics from the founders Darren Stewart and Greg Dower, and their Associates.

• 2 Clinics were acquired by MFDA during FY16.

• The Balance Podiatry Group was acquired by MFDA on 1 December 2016, consisting of 11 podiatry Clinics and iOrthotics.
13 podiatry Clinics and a 50% interest in D.B.S Medical were acquired by MFDA during FY17.
1 greenfield Clinic was opened during FY17.
15 Clinics were acquired by MFDA during FY18.
1 greenfield Clinic was opened by MFDA during FY18.

The operating results for FY16, FY17, H1 FY17 and H1 FY18 have been adjusted in the Pro Forma Historical Financial Information to also include the pre-acquisition trading results of the Audited Physiotherapy Acquisitions and the Other Acquisitions.

4.2.6. Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in the Prospectus and is presented on both a statutory and a pro forma basis.

The Directors believe that the Forecast Financial Information has been prepared with due care and attention and considers all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus.

Forecast financial information is, by its nature, not factual information. Potential investors should note that historical performance (including that indicated by the Historical Financial Information) does not guarantee future performance.

The Forecast Financial Information has been prepared based on numerous assumptions, including the best estimate assumptions set out in Section 4.13. This information is intended to assist potential investors to assess the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

The assumptions on which the Forecast Financial Information is based are forward looking, subject to change as circumstances change and/or information becomes available and subject to significant uncertainties. It cannot be known in advance if any of the assumptions will hold to be correct. Many of the assumptions are not within the control of Healthia, the Senior Management team or the Directors.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information. Any differences in timing and magnitude may have a material positive or negative impact on Healthia’s actual financial performance or financial position.

Section 5 sets out key risks relating to Healthia, which may impact the Forecast Financial Information. A sensitivity analysis is also set out in Section 4.14 to show potential variances as a result of changes to certain underlying assumptions for the Forecast Financial Information.

The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Historical Financial Information.

The forecast for FY18 is comprised of the following:

- Reviewed financial information for MFDA and the Audited Physiotherapy Acquisitions for H1 FY18.
- Unaudited management accounts for the 5 months to 31 May 2018 for MFDA and the Audited Physiotherapy Acquisitions and unaudited management accounts for the Other Acquisitions for the year to date to March, April or May for the Other Acquisitions (depending on the Clinic).
- Forecast financial information for the month of June 2018.

The Pro Forma Forecast Financial Information can be reconciled to the Statutory Forecast Financial Information having regard to the following adjustments:

- Removal of costs associated with the Offer.
- Removal of the costs associated with the acquisition of the Audited Physiotherapy Acquisitions and the Other Acquisitions.
• Net finance costs adjusted to assume costs associated with the capital structure expected to be in place following the Completion of the Offer.
• The operating structures (including earnings normalisation) that will be in place following Completion of the Offer.
• Inclusion of operating revenue and expenses for all the Clinics acquired since 1 July 2015 assuming they were owned by Healthia for the full period.
• Inclusion of operating revenue and expenses for all the Clinics to be owned by Healthia following the Completion of the Offer.
• Income tax calculated assuming the new capital and operating structure expected to be in place following the Completion of the Offer.

As at the date of this Prospectus, the Directors have no intention of updating or revising the Forecast Financial Information or forward-looking statements, regardless of new information, future events or other factors affecting the information contained within the Prospectus, except where required by law.

4.2.7. Non-IFRS Measures Adopted

Healthia uses certain measures for assessing the financial performance and position of its business, which are not recognised under Australian Accounting Standards. Such measures are referred to as ‘non-IFRS financial measures’.

Non-IFRS financial measures are not a substitute for measures calculated in accordance with Australian Accounting Standards, but rather are intended to provide further information for potential investors.

As the non-IFRS measures have no defined meaning under recognised accounting standards, the way in which they have been calculated in this Prospectus has been detailed below. As there is no standardised measure of non-IFRS information, potential investors should take care in comparing non-IFRS information between companies as the method of calculation may not be the same.

The non-IFRS measures included in this Prospectus are:

• EBIT
• EBITDA
• Working capital
• Capital expenditure
• NPATA

Non-IFRS earnings measures may provide useful information for investors as they exclude items related to:

• Interest and taxation (in the case of EBIT and EBITDA).
• Depreciation and amortisation (in the case of EBITDA).
• Amortisation (in the case of NPATA).

EBIT and EBITDA measures may be relevant for market participants and analysts for a range of reasons, however, they are not cash flow measures (operating or otherwise) and should not be considered in isolation. EBIT and EBITDA do not consider a range of matters including, capital expenditure, fair value changes, changes in working capital and timing differences between receipt of revenues and their recognition in the statement of profit or loss.
### 4.3. Pro Forma Historical and Forecast Consolidated Statements of Profit or Loss

Table 4.1 summarises Healthia’s pro forma historical and forecast consolidated statements of profit or loss.

<table>
<thead>
<tr>
<th>Table 4.1 Pro Forma Historical and Forecast Consolidated Statements of Profit or Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>A$000</td>
</tr>
<tr>
<td>Pro Forma Revenue</td>
</tr>
<tr>
<td>Revenue Growth (%)</td>
</tr>
<tr>
<td>Other income</td>
</tr>
<tr>
<td>Employee benefits expense</td>
</tr>
<tr>
<td>Occupancy expenses</td>
</tr>
<tr>
<td>Other expenses</td>
</tr>
<tr>
<td>Pro Forma EBITDA</td>
</tr>
<tr>
<td>EBITDA Growth (%)</td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>Amortisation</td>
</tr>
<tr>
<td>Pro Forma EBIT</td>
</tr>
<tr>
<td>Net finance costs</td>
</tr>
<tr>
<td>Pro forma NPBT</td>
</tr>
<tr>
<td>Tax expense</td>
</tr>
<tr>
<td>Pro forma NPAT</td>
</tr>
<tr>
<td>Amortisation expense</td>
</tr>
<tr>
<td>Pro Forma NPATA</td>
</tr>
<tr>
<td>NPATA Growth (%)</td>
</tr>
<tr>
<td>EBITDA attributable to Shareholders</td>
</tr>
<tr>
<td>NPATA attributable to Shareholders</td>
</tr>
<tr>
<td>EBITDA % interest attributable to Shareholders</td>
</tr>
<tr>
<td>NPATA % interest attributable to Shareholders</td>
</tr>
<tr>
<td>Employee benefits expenses % of revenue</td>
</tr>
<tr>
<td>Occupancy expenses % of revenue</td>
</tr>
<tr>
<td>Other expenses % of revenue</td>
</tr>
<tr>
<td>EBITDA % of revenue</td>
</tr>
<tr>
<td>NPATA % of revenue</td>
</tr>
</tbody>
</table>
Notes:

1. Other income primarily includes rent received from sub tenants.
2. Employee benefits expense includes the cost of staffing MDFA and the Acquisitions and Healthia’s support office.
3. Occupancy expenses include rent, outgoings and utilities for MDFA and the Acquisitions and Healthia’s support office.
4. Other expenses include cost of goods sold, bank charges, insurance, training and education expenses, marketing and advertising costs, IT and other miscellaneous overhead expenses.
5. Pro forma depreciation relates to plant and equipment assuming all plant and equipment (relating to MDFA and the Acquisitions) were owned as at 1 July 2015, but considering any changes in plant and equipment since 1 July 2015.
6. Amortisation relates to the amortisation of customer intangibles.
7. Net finance costs have been adjusted to reflect the capital structure expected to be in place following the completion of the Offer as if it was in place from 1 July 2015. An indicative interest rate equal to 6.2% of the drawn debt at the time of Listing has been assumed for the purpose of calculating the pro forma finance costs.
8. Tax expense has been calculated using the Australian corporate tax rate of 30%. Non-deductible expenses for the purposes of calculating the pro forma income tax expense have been excluded.
9. Pro forma NPATA equals the Pro forma NPAT plus amortisation.
10. EBITDA attributed to Shareholders and NPATA attributable to Shareholders represents the Company’s pro rata share of EBITDA and NPATA, after elimination of non-controlling interests and the economic interest owned by the holders of Clinic Class Shares. The economic interest owned by the holders of Clinic Class Shares is calculated by considering the EBITDA and NPATA generated by each of the Clinics during the relevant financial year (after any management fee payable by the Clinic to the Group), multiplied by the percentage which represents the number of Clinic Class Shares on issue for each Clinic.

4.4. Statutory Forecast Consolidated Statements of Profit or Loss

Table 4.2 summarises Healthia’s statutory forecast consolidated statements of profit or loss for FY18 and FY19. The statutory historical consolidated statements of profit or loss for FY16, FY17, H1 FY17 and H1 FY18 are set out in Appendix 1.

Table 4.2: Statutory Forecast Consolidated Statements of Profit or Loss

<table>
<thead>
<tr>
<th>A$000</th>
<th>Statutory Forecast</th>
<th>Statutory Forecast</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Note</td>
<td>FY18</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td>35,964</td>
</tr>
<tr>
<td>Revenue Growth (%)</td>
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<td>85.9%</td>
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<td>Other income</td>
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<tr>
<td>Employee benefits expense</td>
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<tr>
<td>Occupancy expenses</td>
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<td>Other expenses</td>
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<tr>
<td>EBITDA</td>
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<td>EBITDA Growth (%)</td>
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<tr>
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<td>Amortisation</td>
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<td>EBIT</td>
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</tbody>
</table>
### Notes:

1. Other income primarily includes rent received from sub tenants.
2. Employee benefits expense includes the cost of staffing MDFA and the Acquisitions and the Healthia’s support office.
3. Occupancy expenses include rent, outgoings and utilities for MDFA and the Acquisitions and the Healthia support office.
4. Other expenses include acquisitions costs, cost of goods sold, bank charges, insurance, training and education expenses, marketing and advertising costs, IT and other miscellaneous overhead expenses.
5. Depreciation relates to depreciation of plant and equipment.
6. Amortisation relates to amortisation of customer intangibles.
7. Net finance costs relate to the existing finance facility and the Planned Finance Facility at the Completion of the Offer.
8. Tax expense has been calculated using the Australian corporate tax rate of 30%. Non-deductible expenses for the purposes of calculating the income tax expense have been excluded.
9. NPATA equals the NPAT plus amortisation expense as an add back.
10. Not meaningful.

Statutory Forecast Consolidated Statements of Profit or Loss assumes the following:
- MFDA is included for the full FY18 and FY19.
- The Acquisitions are included from the dates they are proposed to be settled by the Group.

### 4.5. Reconciliation of the Historical and Forecast Consolidated Statements of Profit or Loss

A reconciliation of the statutory consolidated statements NPAT to the pro forma historical and forecast NPAT for FY16, FY17, FY18 and FY19 is set out in Table 4.3.

#### Table 4.3: Reconciliation of the Historical and Forecast NPAT

<table>
<thead>
<tr>
<th>A$000</th>
<th>Note</th>
<th>FY16 Historical</th>
<th>FY17 Historical</th>
<th>FY18 Forecast</th>
<th>FY19 Forecast</th>
<th>H1 FY17 Historical</th>
<th>H1 FY18 Historical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory NPAT</td>
<td>1</td>
<td>267</td>
<td>(39)</td>
<td>(331)</td>
<td>2,282</td>
<td>(1)</td>
<td>(42)</td>
</tr>
<tr>
<td>Pro forma adjustments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate overhead</td>
<td>2</td>
<td>(1,413)</td>
<td>(1,284)</td>
<td>(406)</td>
<td>250</td>
<td>(425)</td>
<td>(173)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>3</td>
<td>(860)</td>
<td>(500)</td>
<td>(154)</td>
<td>-</td>
<td>(335)</td>
<td>(53)</td>
</tr>
<tr>
<td>Financing costs</td>
<td>4</td>
<td>(495)</td>
<td>(283)</td>
<td>(83)</td>
<td>-</td>
<td>(223)</td>
<td>5</td>
</tr>
<tr>
<td>Acquisition costs</td>
<td>5</td>
<td>107</td>
<td>1,017</td>
<td>1,740</td>
<td>1,917</td>
<td>414</td>
<td>582</td>
</tr>
</tbody>
</table>
### 4.6. Reconciliation of Historical and Forecast Revenue

A reconciliation of the statutory revenue to the pro forma revenue for FY16, FY17, FY18, FY19, H1 FY17 and H1 FY18 is set out in Table 4.4.

<table>
<thead>
<tr>
<th>A$000</th>
<th>Note</th>
<th>FY16 History</th>
<th>FY17 History</th>
<th>FY18 Forecast</th>
<th>FY19 Forecast</th>
<th>H1 FY17 History</th>
<th>H1 FY18 History</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory Revenue</td>
<td>1</td>
<td>5,342</td>
<td>19,853</td>
<td>35,964</td>
<td>66,861</td>
<td>6,891</td>
<td>15,740</td>
</tr>
<tr>
<td>Pre-acquisition revenue</td>
<td>2</td>
<td>60,544</td>
<td>46,719</td>
<td>33,443</td>
<td>4,941</td>
<td>26,262</td>
<td>17,772</td>
</tr>
<tr>
<td>Pro forma Revenue</td>
<td></td>
<td>65,886</td>
<td>66,572</td>
<td>69,407</td>
<td>71,802</td>
<td>33,153</td>
<td>33,512</td>
</tr>
</tbody>
</table>

### Notes:

1. The historical statutory revenue figures for FY16 and FY17 are the audited MFDA revenue figures, and in the case of H1 FY17 and H1 FY18 are the reviewed MFDA revenue figures.
2. Reflects the revenue impact attributed to the pre-acquisition earnings of the Audited Physiotherapy Acquisitions and the Other Acquisitions. In the case of acquisitions part way through a financial year, the pre-acquisition revenue will include an annualisation of actual results from the relevant management accounts of MFDA and the Acquisitions.

---

### A$000 Note FY16 Historical FY17 Historical FY18 Forecast FY19 Forecast H1 FY17 Historical H1 FY18 Historical

| Dividends     | 6    | (6)  | (38) | (48) | -   | (30) | (48) |
| Direct costs  | 7    | 138  | 346  | 785  | -   | 217  | 235  |
| Income tax    | 8    | (548)| (259)| (664)| -   | 6    | (237)|
| Pre-acquisition revenue and expenses | 9 | 6,849 | 5,287 | 3,749 | 700 | 2,523 | 1,971 |
| Pro Forma NPAT |      | 4,039 | 4,247 | 4,587 | 5,149 | 2,147 | 2,240 |

### Notes:

1. The historical statutory NPAT figures for FY16, FY17, H1 FY17 and H1 FY18 is the audited MFDA NPAT figure.
2. Reflects the estimated NPAT impact of corporate overheads that would have been incurred had MDFA and the Acquisitions been owned during the period, net of tax.
3. Reflects the estimated NPAT impact of depreciation for plant and equipment of MDFA and the Acquisitions and the amortisation of customer lists of MDFA and the Acquisitions, had MDFA and the Acquisitions been owned during the period, net of tax.
4. Represents the net finance costs adjustment made to reflect the same ongoing capital structure which is assumed post the Completion of the Offer (assuming a 6.2% interest rate), net of tax.
5. Represents costs associated with completing the Acquisitions and incurred as part of this Offer, net of tax.
6. Removal of dividends received from subsidiaries, net of tax.
7. Reflects the NPAT impact of normalisation adjustments to the pre-ownership cost structures of the Audited Physiotherapy Acquisitions and the Other Acquisitions, net of tax.
8. Tax adjustment relates to the tax effect of all of the above.
9. Reflects the NPAT impact of pre-acquisition earnings of the Audited Physiotherapy Acquisitions and the Other Acquisitions. In the case of acquisitions part way through a financial year, the pre-acquisition revenue and expenses will include an annualisation of actual results from the relevant management accounts of MFDA and the Acquisitions, net of tax.

---

### Table 4.4: Reconciliation of Statutory Revenue to Pro Forma Revenue

<table>
<thead>
<tr>
<th>A$000</th>
<th>Note</th>
<th>FY16 Historical</th>
<th>FY17 Historical</th>
<th>FY18 Forecast</th>
<th>FY19 Forecast</th>
<th>H1 FY17 Historical</th>
<th>H1 FY18 Historical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory Revenue</td>
<td>1</td>
<td>5,342</td>
<td>19,853</td>
<td>35,964</td>
<td>66,861</td>
<td>6,891</td>
<td>15,740</td>
</tr>
<tr>
<td>Pre-acquisition revenue</td>
<td>2</td>
<td>60,544</td>
<td>46,719</td>
<td>33,443</td>
<td>4,941</td>
<td>26,262</td>
<td>17,772</td>
</tr>
<tr>
<td>Pro forma Revenue</td>
<td></td>
<td>65,886</td>
<td>66,572</td>
<td>69,407</td>
<td>71,802</td>
<td>33,153</td>
<td>33,512</td>
</tr>
</tbody>
</table>

### Notes:

1. The historical statutory revenue figures for FY16 and FY17 are the audited MFDA revenue figures, and in the case of H1 FY17 and H1 FY18 are the reviewed MFDA revenue figures.
2. Reflects the revenue impact attributed to the pre-acquisition earnings of the Audited Physiotherapy Acquisitions and the Other Acquisitions. In the case of acquisitions part way through a financial year, the pre-acquisition revenue will include an annualisation of actual results from the relevant management accounts of MFDA and the Acquisitions.
4.7. Pro Forma Historical and Forecast Consolidated Cash Flow Information

Table 4.5 is a summary of Healthia’s Pro Forma Historical and Forecast Consolidated Cash Flow Information for FY16, FY17, H1 FY17, H1 FY18, FY18 and FY19.

Table 4.5: Pro Forma Historical and Pro Forma Forecast Consolidated Cash Flow Information

<table>
<thead>
<tr>
<th>A$000</th>
<th>Note</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>H1 FY17</th>
<th>H1 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td></td>
<td>8,510</td>
<td>8,803</td>
<td>9,337</td>
<td>10,269</td>
<td>4,432</td>
<td>4,570</td>
</tr>
<tr>
<td>Net movement in working capital</td>
<td>1</td>
<td>(127)</td>
<td>(44)</td>
<td>(183)</td>
<td>(154)</td>
<td>(22)</td>
<td>(23)</td>
</tr>
<tr>
<td>Pro Forma operating free cash flow before capital expenditure</td>
<td></td>
<td>8,383</td>
<td>8,759</td>
<td>9,154</td>
<td>10,115</td>
<td>4,410</td>
<td>4,547</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>2</td>
<td>(1,647)</td>
<td>(1,664)</td>
<td>(1,735)</td>
<td>(1,795)</td>
<td>(829)</td>
<td>(838)</td>
</tr>
<tr>
<td>Pro Forma net free cash flow before financing, tax, dividends and non-controlling interest dividends</td>
<td></td>
<td>6,736</td>
<td>7,094</td>
<td>7,419</td>
<td>8,320</td>
<td>3,581</td>
<td>3,709</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>3</td>
<td>(527)</td>
<td>(552)</td>
<td>(489)</td>
<td>(752)</td>
<td>(303)</td>
<td>(239)</td>
</tr>
<tr>
<td>Pro Forma net free cash flow before financing, tax and dividends</td>
<td></td>
<td>6,209</td>
<td>6,543</td>
<td>6,930</td>
<td>7,568</td>
<td>3,278</td>
<td>3,470</td>
</tr>
<tr>
<td>Interest paid</td>
<td>4</td>
<td></td>
<td>(959)</td>
<td>(959)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>5</td>
<td></td>
<td>(2,123)</td>
<td>(2,364)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from banking facilities</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15,000</td>
</tr>
<tr>
<td>Pro Forma net cash flows before Listing related transactions</td>
<td></td>
<td>3,849</td>
<td>19,245</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs of the acquisitions</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(17,576)</td>
<td></td>
</tr>
<tr>
<td>Listing proceeds</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>26,849</td>
<td></td>
</tr>
<tr>
<td>Listing &amp; acquisition costs</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td>(1,003)</td>
<td>(3,655)</td>
<td></td>
</tr>
<tr>
<td>Repayment of existing banking facilities</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(14,866)</td>
<td></td>
</tr>
<tr>
<td>Existing Shareholder Sell-down</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(2,494)</td>
<td></td>
</tr>
<tr>
<td>Pro Forma net cash flow</td>
<td></td>
<td>2,846</td>
<td>7,503</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:

1. Working capital calculated as cash plus receivables plus inventories less trade payables less short-term employee entitlements. The components of Working capital have been calculated as a percentage of pro forma revenue having regard to historical percentages of revenue in MFDA.

2. Reflects pro forma fixed asset additions and leasehold improvements calculated as 2.5% of revenue in all periods.

3. Reflects pro forma dividends paid to non-controlling interests and the economic interest owned by the holders of Clinic Class Shares. This adjustment
assumes that the same corporate structure (including non-controlling interests) post Completion of the Offer, is in place in all periods shown.

4. Represents the net finance costs adjustment made to reflect the ongoing capital structure assumed post the Completion of the Offer (assuming a 6.2% interest rate), is in place in all periods shown.

5. Represents the forecast of taxes to be paid on a pro forma basis, calculated as 30% of pro forma NPBT less non-deductible expenses.

6. Represents dividends paid and proposed to be paid to Shareholders in FY18 and FY19.

7. Represents cash inflow by drawing down on the Planned Finance Facility.

8. Represents the cash outflow for the Acquisitions.

9. The expected proceeds from the Offer Shares under the Offer.

10. Represents the costs incurred in respect of the Offer including costs associated with the acquisitions of the Audited Physiotherapy Acquisitions and the Other Acquisitions.

11. Reflects the refinancing of the existing debt of the MFDA Group.

12. Reflects the payment of the deferred consideration payable to the Existing Shareholders as part of an internal restructure completed prior to the date of this Prospectus under which their shares in the operating subsidiary of Healthia, which owns the My FootDr Businesses, was transferred to Healthia for the purposes of facilitating the Listing.

4.8. Summarised Statutory Forecast Consolidated Cash Flow Information

Table 4.6 summarises Healthia’s Statutory Forecast Consolidated Cash Flow Information for FY18 and FY19. The statutory historical consolidated statement of cash flows for FY16, FY17, H1 FY17 and H1 FY18 are set out in Appendix 1.

Table 4.6: Summarised Statutory Forecast Consolidated Cash Flow Information

<table>
<thead>
<tr>
<th>A$000 Note</th>
<th>Statutory Forecast FY18</th>
<th>Statutory Forecast FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net movement in working capital</td>
<td>1</td>
<td>1,015</td>
</tr>
<tr>
<td><strong>Operating free cash flow before capital expenditure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>2</td>
<td>(899)</td>
</tr>
<tr>
<td><strong>Net free cash flow before financing, tax, dividends and non-controlling interest dividends</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>3</td>
<td>(130)</td>
</tr>
<tr>
<td><strong>Net free cash flow before financing, tax and dividends</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>4</td>
<td>(804)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>5</td>
<td>(464)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from banking facilities</td>
<td>7</td>
<td>5,106</td>
</tr>
<tr>
<td><strong>Net cash flows before Listing related transactions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs of the Acquisitions</td>
<td>8</td>
<td>(5,590)</td>
</tr>
<tr>
<td>Listing proceeds</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Listing &amp; acquisition costs</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Repayment of banking facilities</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>455</strong></td>
</tr>
</tbody>
</table>
Notes:

1. Working capital calculated as cash plus receivables plus inventories less trade payables less short-term employee entitlements.
2. Reflects fixed asset additions and leasehold improvements.
3. Reflects dividends paid to non-controlling interests.
4. Represents the net finance costs.
5. Represents the taxes paid or to be paid.
6. Represents dividends paid to Healthia shareholders.
7. Represents cash inflow on the drawdown of the Planned Finance Facility.
8. Represents the cash outflow to acquire the Audited Physiotherapy Acquisitions and the Other Acquisitions.
9. The expected proceeds from the issue of new Shares under the Offer.
10. Reflect the costs incurred in respect of the Offer including costs associated with the acquisitions of the Audited Physiotherapy Acquisitions and the Other Acquisitions.
11. Reflects the refinancing of the existing debt of the MFDA Group.

4.9. Reconciliation of the Pro Forma to Statutory Historical and Forecast Consolidated Cash Flow Information

A reconciliation of the audited historical consolidated net cash flows to the Pro Forma Historical and Forecast Consolidated Cash Flow information for FY16, FY17, H1 FY17, H1 FY18, FY18 and FY19 is set out in Table 4.7 below.

Table 4.7: Reconciliation of the Pro Forma to Statutory Historical and Forecast Consolidated Cash Flow Information

<table>
<thead>
<tr>
<th>A$000</th>
<th>Pro Forma</th>
<th>Pro Forma</th>
<th>Pro Forma</th>
<th>Pro Forma</th>
<th>Pro Forma</th>
<th>Pro Forma</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Historical</td>
<td>Historical</td>
<td>Forecast</td>
<td>Historical</td>
<td>Historical</td>
<td>Historical</td>
</tr>
<tr>
<td>Note</td>
<td>FY16</td>
<td>FY17</td>
<td>FY18</td>
<td>FY19</td>
<td>H1 FY17</td>
<td>H1 FY18</td>
</tr>
<tr>
<td>Pro Forma net free cash flow before financing, tax, dividends and non-controlling interest dividends</td>
<td>6,736</td>
<td>7,094</td>
<td>7,419</td>
<td>8,320</td>
<td>3,581</td>
<td>3,709</td>
</tr>
<tr>
<td>Pre-acquisition cash flows Physiotherapy Acquisitions and Other Acquisitions</td>
<td>1</td>
<td>(7,669)</td>
<td>(5,628)</td>
<td>(3,749)</td>
<td>(700)</td>
<td>(3,304)</td>
</tr>
<tr>
<td>Other pro forma adjustments (cash impacts)</td>
<td>2</td>
<td>1,306</td>
<td>268</td>
<td>(1,333)</td>
<td>(1,917)</td>
<td>11</td>
</tr>
<tr>
<td>Statutory net free cash flow before financing, tax, dividends and Non-Controlling Interest dividends</td>
<td>3</td>
<td>372</td>
<td>1,735</td>
<td>2,337</td>
<td>5,703</td>
<td>288</td>
</tr>
</tbody>
</table>

Notes:

1. Reflects the impact on net cash flow attributed to the pre-acquisition earnings of the Audited Physiotherapy Acquisitions and the Other Acquisitions.
2. Reflects the cash impact of pro forma adjustments including the increase in corporate costs expected to arise as a consequence of the larger and ASX listed Company and acquisitions costs associated with the acquiring of the Audited Physiotherapy Acquisitions and the Other Acquisitions.
3. The statutory net cash flows before financing, tax, dividends and non-controlling interest dividends figures for FY16 and FY17 are calculated as the audited net cash flows before financing, tax, dividends and non-controlling interest dividends figures for MFDA, and in the case the H1 FY17 and H1 FY18 are calculated as the reviewed net cash flows before financing, tax, dividends and non-controlling interest dividends figures for MFDA.
4.10. Operating Segments

Healthia has two operating segments: Physiotherapy and Podiatry (refer to Section 3 for further details on each segment). The pro forma revenue and pro forma EBITDA broken down by reporting segment for FY16, FY17, FY18, FY19, H1 FY17 and H1 FY18 is set out in Table 4.8.

Table 4.8: Pro Forma Revenue and Pro Forma EBITDA Summary by Reporting Segment

<table>
<thead>
<tr>
<th>A$000</th>
<th>Pro Forma Historical</th>
<th>Pro Forma Historical</th>
<th>Pro Forma Historical</th>
<th>Pro Forma Historical</th>
<th>Pro Forma Historical</th>
<th>Pro Forma Historical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note</td>
<td>FY16</td>
<td>FY17</td>
<td>FY18</td>
<td>FY19</td>
<td>H1 FY17</td>
<td>H1 FY18</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physiotherapy</td>
<td>1</td>
<td>23,927</td>
<td>24,561</td>
<td>27,149</td>
<td>28,159</td>
<td>12,254</td>
</tr>
<tr>
<td>Podiatry</td>
<td>2</td>
<td>41,959</td>
<td>42,011</td>
<td>42,258</td>
<td>43,643</td>
<td>20,899</td>
</tr>
<tr>
<td>Total Revenue</td>
<td></td>
<td>65,886</td>
<td>66,572</td>
<td>69,407</td>
<td>71,802</td>
<td>33,153</td>
</tr>
<tr>
<td>Pro Forma EBITDA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physiotherapy</td>
<td>1</td>
<td>3,032</td>
<td>2,372</td>
<td>3,293</td>
<td>3,814</td>
<td>650</td>
</tr>
<tr>
<td>Podiatry</td>
<td>2</td>
<td>10,044</td>
<td>11,044</td>
<td>10,857</td>
<td>11,431</td>
<td>6,080</td>
</tr>
<tr>
<td>Total all segments</td>
<td></td>
<td>13,076</td>
<td>13,417</td>
<td>14,150</td>
<td>15,245</td>
<td>6,730</td>
</tr>
<tr>
<td>Corporate overheads</td>
<td>3</td>
<td>(4,566)</td>
<td>(4,614)</td>
<td>(4,813)</td>
<td>(4,976)</td>
<td>(2,298)</td>
</tr>
<tr>
<td>Total Pro Forma EBITDA</td>
<td></td>
<td>8,510</td>
<td>8,803</td>
<td>9,337</td>
<td>10,269</td>
<td>4,432</td>
</tr>
</tbody>
</table>

Notes:
1. The Physiotherapy segment also includes the Extend Rehabilitation Clinics.
2. The Podiatry segment also includes iOrthotics and D.B.S. Medical.
3. Reflects the estimated impact of corporate overheads that would have been incurred had MFDA and the Acquisitions been owned during the relevant period.

4.11. Pro Forma Historical Consolidated Statement of Financial Position

4.11.1. Overview

Table 4.9 summarises the Pro Forma Historical Consolidated Statement of Financial Position as at 31 December 2017. It shows the pro forma adjustments that have been made to the statutory historical statement of financial position as at 31 December 2017 to calculate the Pro Forma Historical Consolidated Statement of Financial Position as at 31 December 2017.

The Pro Forma Historical Consolidated Statement of Financial Position is provided for illustrative purposes only. It is not representative of the future financial position of Healthia.

In particular cash and cash equivalents in the Pro Forma Historical Consolidated Statement of Financial Position are calculated to reflect the events in each corresponding note, as though they had occurred on 31 December 2017. Cash and cash equivalents (and other balances) have not been adjusted by actual or expected events between 31 December 2017 and the Completion of the Offer, save for those detailed in the notes for the Pro Forma Historical Consolidated Statement of Financial Position (set out in Section 4.11.1).

The pro forma numbers shown in Table 4.9 are not reflective of the estimated numbers (including the cash position) following the Completion of the Offer.
Table 4.9: Pro Forma Historical Consolidated Statement of Financial Position as at 31 December 2017

<table>
<thead>
<tr>
<th>A$000</th>
<th>MFDA Consolidated Statement of Financial Position 31 December 2017</th>
<th>Audited Physiotherapy Acquisitions and Other Acquisitions</th>
<th>Debt Raising</th>
<th>The Offer</th>
<th>Pro Forma Historical Consolidated Statement of Financial Position 31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Note</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,307</td>
<td>(17,505)</td>
<td>(1,370)</td>
<td>19,497</td>
<td>1,929</td>
</tr>
<tr>
<td>Other current assets</td>
<td>4,347</td>
<td>452</td>
<td>112</td>
<td>-</td>
<td>4,911</td>
</tr>
<tr>
<td>Total current assets</td>
<td>5,655</td>
<td>(17,054)</td>
<td>(1,258)</td>
<td>19,497</td>
<td>6,840</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>4,327</td>
<td>3,082</td>
<td>-</td>
<td>-</td>
<td>7,409</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>24,403</td>
<td>32,032</td>
<td>-</td>
<td>-</td>
<td>56,435</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>613</td>
<td>453</td>
<td>-</td>
<td>615</td>
<td>1,680</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>29,343</td>
<td>35,566</td>
<td>-</td>
<td>615</td>
<td>65,524</td>
</tr>
<tr>
<td>Total assets</td>
<td>34,998</td>
<td>18,513</td>
<td>(1,258)</td>
<td>20,112</td>
<td>72,364</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>2,525</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,525</td>
</tr>
<tr>
<td>Interest bearing borrowings</td>
<td>13,610</td>
<td>1,901</td>
<td>(14,866)</td>
<td>-</td>
<td>645</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>1,721</td>
<td>1,620</td>
<td>-</td>
<td>-</td>
<td>3,341</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>17,856</td>
<td>3,521</td>
<td>(14,866)</td>
<td>-</td>
<td>6,512</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest bearing borrowings</td>
<td>3,264</td>
<td>1,392</td>
<td>10,807</td>
<td>-</td>
<td>15,463</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>5</td>
<td>1,003</td>
<td>3,886</td>
<td>-</td>
<td>4,889</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>4,267</td>
<td>5,278</td>
<td>10,807</td>
<td>-</td>
<td>20,352</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>22,123</td>
<td>8,800</td>
<td>(4,059)</td>
<td>-</td>
<td>26,864</td>
</tr>
<tr>
<td>Net assets</td>
<td>12,875</td>
<td>9,713</td>
<td>2,801</td>
<td>20,112</td>
<td>45,500</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to owners of Healthia</td>
<td>12,415</td>
<td>3,873</td>
<td>2,683</td>
<td>20,112</td>
<td>39,083</td>
</tr>
<tr>
<td>Equity attributable to non-controlling interest</td>
<td>459</td>
<td>5,840</td>
<td>118</td>
<td>-</td>
<td>6,418</td>
</tr>
<tr>
<td>Total equity</td>
<td>12,875</td>
<td>9,713</td>
<td>2,801</td>
<td>20,112</td>
<td>45,500</td>
</tr>
</tbody>
</table>
Notes:

1. Represents the reviewed historical consolidated statement of financial position as at 31 December 2017 for MFDA only.
2. Relating to the proposed acquisition of the Audited Physiotherapy Acquisitions and the Other Acquisitions, and also including the acquisition of the Blacktown Podiatry Clinic (acquired on 17 January 2018) and Foot Focus Podiatry Clinics (acquired 1 February 2018) by MFDA.
3. Relating to the refinancing of the existing debt held by MFDA via the proposed draw down of the Planned Finance Facility and the reclassification of existing Clinic Class Shares on issue in MFDA from non-current liabilities to equity as a consequence of a change in the terms of these Clinic Class Shares.
4. Relating to the capital raised and costs incurred as part of the Offer.
5. Includes $1.2 million in deferred consideration, reflecting an indicative assessment of the fair value of deferred consideration expected to be payable by the Group, for the Acquisitions (see Section 8.3 for further information) and $2.5 million in deferred consideration, reflecting an indicative assessment of the fair value of deferred consideration expected to be payable by the Group, to the Existing Shareholders (see Section 8.4 for further information).

Healthia was incorporated as a holding company on 10 May 2018 and is expected to acquire all the ordinary shares in MFDA on or around 30 July 2018, which owned the My FootDr Business, from the Existing Shareholders (who became the shareholders of Healthia). MFDA is identified as the accounting acquirer and the financial statements of the combined group will be a continuation of the financial statements of MFDA. See section 4.2.3 for further information of the accounting for the combination of Healthia and MFDA.

4.11.2. Liquidity and Capital Resources

Following Completion of the Offer and application of the Offer proceeds as set out in this Prospectus, Healthia’s key sources of ongoing funding will be cash flow from operations and borrowing under the Planned Finance Facility (described in Section 8.2). At Completion of the Offer and after payment of the Offer related costs and expenses, the Company forecasts to have sufficient cash and facilities to fund operations.

4.11.3. Indebtedness

The Pro Forma Historical Consolidated Statement of Financial Position as at 31 December 2017 has been adjusted to reflect the impact of the Offer as if it took place at that date, in accordance with guidance set out in ASIC Regulatory Guide 228. Pro forma net indebtedness as at 31 December 2017, assuming Completion of the Offer, is $18.1 million.

Table 4.10 sets out the total indebtedness of Healthia as at 31 December 2017 on a statutory and pro forma basis, following the expected Completion of the Offer.

Table 4.10: Reconciliation of the Statutory Historical Net Debt Position and Pro Forma Net Debt Position

<table>
<thead>
<tr>
<th>A$000</th>
<th>Statutory</th>
<th>Pro Forma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current interest bearing borrowings</td>
<td>1</td>
<td>13,610</td>
</tr>
<tr>
<td>Non-current interest bearing borrowings</td>
<td>1</td>
<td>3,264</td>
</tr>
<tr>
<td><strong>Total drawn interest bearing borrowings</strong></td>
<td><strong>16,874</strong></td>
<td><strong>16,108</strong></td>
</tr>
<tr>
<td><strong>Less:</strong> Cash and cash equivalents</td>
<td></td>
<td>1,307</td>
</tr>
<tr>
<td><strong>Total net interest bearing indebtedness</strong></td>
<td><strong>15,566</strong></td>
<td><strong>14,179</strong></td>
</tr>
<tr>
<td><strong>Add:</strong> Non-interest bearing liabilities</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total net indebtedness</strong></td>
<td><strong>3</strong></td>
<td>15,616</td>
</tr>
</tbody>
</table>
Notes:

1. Under the existing MFDA debt facility, a review of the debt facility is conducted by the bank annually. The Finance Term Sheet does not include an annual review clause for the Acquisition Facilities which form part of the Planned Finance Facility and have a 3-year term. As such, the new borrowings to be drawdown under the Acquisition Facilities will be classified as non-current. All other facilities under the Planned Finance Facility, have an annual review clause and will be classified as current. The amounts include interest bearing equipment finance facilities. In the statutory column, the amounts include liabilities relating to Clinic Class Shares, which at the relevant date were classified as a finance liability.

2. In relation to the pro forma column, these amounts include $1.2 million in deferred consideration, reflecting an indicative assessment of the fair value of deferred consideration expected to be payable by the Group, for the Acquisitions (see Section 8.3 for further information); $2.5 million in deferred consideration, reflecting an indicative assessment of the fair value of deferred consideration expected to be payable by the Group, to the Existing Shareholders (see Section 8.4 for further information) and $0.3 million in deferred consideration, reflecting an indicative assessment of the fair value of the deferred consideration for the acquisitions in H2 FY18.

3. Total net indebtedness excludes all other current and non-current liabilities which are neither interest bearing borrowings nor deferred consideration payable as set out in note 3 above.

As at 31 May 2018 and based on the relevant management accounts for MFDA, the total indebtedness of MFDA was $17.9 million excluding any non interest bearing liabilities and $18.1 million including deferred consideration, both numbers include a financial liability relating to Clinic Class Shares of $2.8m as at 31 May 2018. The indebtedness as at 31 May 2018 includes funds used to acquire Blacktown Podiatry Clinic (acquired on 17 January 2018) and Foot Focus Podiatry Clinics (acquired 1 February 2018) by MFDA

4.11.4. Planned Finance Facility

As at the date of this Prospectus, Healthia has accepted the Finance Term Sheets as set out in Section 8.2.

4.12. Management Discussion and Analysis of the Pro Forma Historical Financial Information

Set out below is a discussion of the factors that have impacted Healthia’s pro forma historical performance for FY16, FY17, H1 FY17 and H1 FY18. The Directors have provided this information for potential investors to assist with understanding the factors that influenced the pro forma historical performance of Healthia, which may be relevant to considering the future performance of Healthia.

This discussion is a summary only and does not detail all matters relevant to the pro forma historical performance of Healthia, nor every matter that may influence the performance of Healthia in the future.

This section should be considered along with the other information set out in this Prospectus, including the risks set out in Section 5.

4.12.1. Revenue and other income

The Group derives gross revenue from the podiatry and physiotherapy Operating Segments as follows:

**Podiatry**

The podiatry Operating Segment includes the My FootDr Podiatry Clinics, the Podiatry Clinic Acquisitions, iOrthotics and D.B.S. Medical.

The My FootDr Podiatry Clinics and the Podiatry Clinic Acquisitions derive gross revenues from podiatry services, the prescription and provision of foot orthotics, footwear and other medical devices and consumables. Payment for podiatry services by patients are on a per consultation or per procedure basis.

The key drivers of podiatry revenue for Healthia include:

- the number of podiatry clinics in the Group
- the utilisation of each podiatry clinic
- the number of podiatrists in the Group
- the number of consultations performed by the podiatrists
service fees charged, and
the mix of products and services sold by podiatrists.

The addition of new podiatry clinics, either through acquisitions or the opening of new clinics, has historically been a positive driver of revenue for MFDA. Operational improvements that are implemented by the Senior Management team are also expected to have a positive impact on revenue and include:

- implementation of centralised finance, marketing and administration functions
- roll-out of a fully integrated clinic management system to enhance reporting for the Group
- centralisation of procurement relationships to drive purchasing efficiencies
- implementation of training and education programs, and
- provision of additional services.

iOrthotics and D.B.S. Medical supplies products and equipment to the My FootDr Podiatry Clinics and the Podiatry Clinic Acquisitions and generates revenue through the supply of goods to other podiatry clinics external to the Group. Revenue generated by iOrthotics and D.B.S. Medical from the supply to Clinics is eliminated on consolidation in accordance with the relevant Australian Accounting Standard.

The key drivers of iOrthotics and D.B.S. Medical revenue for Healthia include:
- the number of podiatry clinics external to the Group ordering products,
- fees charged for the products, and
- the mix of products sold.

Physiotherapy

The physiotherapy Operating Segment includes the Allsports Physiotherapy Clinics, the Physiotherapy Clinic Acquisitions and the Extend Rehabilitation Clinics.

The Allsports Physiotherapy Clinics, the Physiotherapy Clinic Acquisitions and the Extend Rehabilitation Clinics derive gross revenues from physiotherapy, occupational and hand therapy services. Payment for physiotherapy, occupational and hand therapy services by patients are on a per consultation or per procedure basis.

In addition to patient fees, some of the Group’s physiotherapy clinics earn additional revenue from the collection of rental/ facility fees from other businesses who pay a fee to co-locate with the physiotherapy clinics.

The key drivers of physiotherapy Operating Segment revenue for Healthia include:
- the number of clinics
- the number of clinicians
- the utilisation of each of the clinics
- number of consultations performed by the clinicians, and
- service fees charged.

The volume of patients treated reflects a range of factors including the availability of clinicians to undertake the service, the number of patients, and the size and layout of the clinic. As such, 8 of Audited Physiotherapy Acquisitions and the Other Acquisitions, including 7 Allsports Physiotherapy Clinics, have undergone relocations or significant renovations since late 2016 (collectively referred to as the Renovated Clinics). These relocations/ renovations have been undertaken to provide the Renovated Clinics with the following:
- a larger physical foot print and additional floor space in the Renovated Clinic facilitates allowing for an increase in the number of clinicians that can operate out of the Clinic
- the addition of new specialist physiotherapy services such as paediatrics and Pilates
- the addition of new allied health services such as podiatry, and
- to generate additional revenue from rental or facility fees to other allied health professionals.
It is anticipated that these initiatives will assist with the organic growth of the physiotherapy Operating Segment of the Group.

Operational improvements to be implemented by the Senior Management team post Listing, and expected to have a positive impact on revenue and/ or earnings include:

- implementation of centralised finance, marketing and administration functions
- roll-out of a fully integrated clinic management system to enhance reporting for the Group
- centralisation of procurement relationships to drive purchasing efficiencies
- implementation of training and education programs and
- the provision of additional services.

4.12.2. Employee Benefit Expenses

The Group’s employee benefit expenses are its largest expenses. These costs include salaries and wages paid to administration staff and clinicians and other employment related costs of staff. It is noted that not all clinicians are remunerated in the same way. Typically, clinicians are remunerated one of the following ways:

- fixed salary or
- fixed salary plus a fixed percentage of revenue generated by the clinician, after consideration of the fixed salary already paid to that clinician.

Factors impacting employee benefit expenses include the following:

- Agreed fixed salary – if fixed salaries for clinicians decrease, or increase, this may have an impact on the total employee benefit expenses, and profit, of the Group
- Agreed fixed salary plus agreed fixed percentage of revenue – if clinicians are paid an agreed fixed percentage of revenue generated by them then the employee benefit expenses, and profit, of the Group will increase or decrease as revenue increases or decreases, and
- Full time and part time – clinicians are typical employed on a full-time or part-time basis. If revenue was to increase, or to decrease, the clinicians on fixed salaries would be greater utilised, or underutilised, which may result in impacts to the Groups profit.

The Group expects its clinicians to generate individual revenue sufficient to meet the Group’s revenue benchmarks and a failure to do so may adversely affect the financial performance of the Group to the extent that a component of their salary is fixed.

4.12.3. Occupancy Expenses

Occupancy expenses include rental expenses and other property expenses for the Group’s network of Clinics. Lease terms generally vary from 3-5 years and include option periods. Key factors impacting occupancy expenses include the following:

- Rental increases- typically, at each anniversary of the lease, the rental amount payable will be adjusted by either CPI or a fixed percentage amount. This will see occupancy expenses increase over time, and
- Return to market – typically, at the end of each lease period, the landlord has the right to adjust the rental amount payable to a market rate. In some cases, this may result in occupancy expenses significantly increasing. 11.4% of the leases expire in the next 24 months, with over 90% of these having additional option periods and return to market clauses.
4.12.4. Operating Expenses
Operating expenses include the following:
- Direct costs comprise medical consumables, orthotic laboratory costs and retail inventory,
- Insurance costs, including professional indemnity insurance, public liability insurance, industrial special risk insurance and directors’ and officers’ liability insurance,
- Marketing expenses including sponsorships, branding, local and national marketing costs,
- IT and telecommunication expenses including software expenses, printer costs, internet and telephone expenses and servers hosting, and
- Other business-related expenses.

4.12.5. Working Capital
The Group defines working capital as cash plus inventory, plus third-party receivables less third-party payables less short-term employee entitlements. Given the nature of the services provided the level of receivables and payables are mainly influenced by volume of patients treated and the number of clinics owned by the Group. The Group has implemented systems to ensure that receivables are collected, and payables are paid in accordance with agreed terms.

4.12.6. Capital Expenditure
The Group’s capital expenditure has historically included:
- Fitout or refurbishment of leasehold property including fixtures, furniture and fittings,
- Installation or upgrade of medical and manufacturing equipment such as fungal lasers, shockwave machines and 3D printers,
- Installation or upgrade of computer software and hardware to ensure centralised systems, and
- Payments for the acquisition of new clinics.

4.12.7. Comparison of the Pro Forma Consolidated Statement of Profit or Loss for FY16 and FY17
Table 4.12 below sets out a comparison of the pro forma consolidated statement of profit or loss for FY16 and FY17.

<table>
<thead>
<tr>
<th>Pro Forma</th>
<th>Note</th>
<th>FY16</th>
<th>FY17</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1</td>
<td>65,886</td>
<td>66,572</td>
<td>686</td>
<td>1.04%</td>
</tr>
<tr>
<td>Other income</td>
<td>2</td>
<td>716</td>
<td>737</td>
<td>21</td>
<td>2.94%</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>3</td>
<td>37,634</td>
<td>39,177</td>
<td>1,542</td>
<td>4.10%</td>
</tr>
<tr>
<td>Occupancy expense</td>
<td>4</td>
<td>7,015</td>
<td>7,398</td>
<td>383</td>
<td>5.46%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>5</td>
<td>13,442</td>
<td>11,931</td>
<td>(4,511)</td>
<td>(11.24%)</td>
</tr>
<tr>
<td>Pro Forma EBITDA</td>
<td>6</td>
<td>8,510</td>
<td>8,803</td>
<td>293</td>
<td>3.44%</td>
</tr>
</tbody>
</table>

Notes:
1. Revenue is presented on a consolidated basis after the elimination of intercompany revenue from iOrthotics and D.B.S. Medical. Revenue in FY17 was impacted by the following:
   a. The consolidation of 3 Clinics into existing Clinics, and
   b. Disruption from the integration of centralising of systems by MFDA.
2. Other income relates to rental revenue received/ facility fees received from other third party allied health professionals that pay fees to co-locate within one of the Clinics, and
3. Pro Forma EBITDA represents the Groups pro forma EBITDA before adjustments for minorities and the Clinic Class Shares.
4.13. Management Discussion and Analysis of the Pro Forma Forecast Financial Information

4.13.1. General Assumptions

General assumptions that are relevant to the Forecast Financial Performance include the following:

- No change in applicable Australian Accounting Standards or the Corporations Act that would have a material effect on Healthia’s financial performance and the way in which it is reported, including the impacts of AASB 16 (details of the expected impact of AASB 16 are set out in Section 4.16),
- No material changes in the competitive operating environment of Healthia,
- No significant change in the legislative regimes and regulatory environments in the jurisdictions in which Healthia operates,
- No material amendment to any material agreement relating to Healthia’s business,
- No significant disruptions to the continuity of operations of Healthia and there are no other material changes in Healthia’s business,
- All debt facilities will be able to be repaid at the time of their maturity or refinanced on appropriate terms prior to their maturity,
- Successful Completion of the Offer,
- No material contract disputes, contingent liabilities or litigation other than already set out in this Prospectus,
- No loss of key staff or management personnel,
- No material business acquisitions or disposals other than already set out in this Prospectus,
- No significant increase in capital expenditure requirements, and
- Healthia retains all existing required certifications and licenses.

4.13.2. Specific Assumptions

The basis of the specific assumptions that have been used in the preparation of the Forecast Financial Information for FY18 and FY19 are set out below:

Acquisition Dates

The Forecast Financial Information is based on MFDA, the Audited Physiotherapy Acquisitions and the Other Acquisitions all being held for a full 12-month period.

The FY18 and FY19 Forecast Statutory Financial Information is based on the financial information from the Audited Physiotherapy Acquisitions and the Other Acquisitions being included from their proposed acquisition dates. The Group has forecast that the Audited Physiotherapy Acquisitions and the Other Acquisitions will be acquired between the Offer Closing Date and the Listing Date.

In the event that any of the Acquisitions are delayed or do not complete, this may adversely impact on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information.

Revenue

The Forecast Financial Information is based on the following key revenue assumptions, which the Group has considered separately for each existing Operating Segments and Clinics:

- The podiatry businesses assumed revenue growth is generally consistent with historical trends and assessed on a Clinic by Clinic basis. Ongoing incremental revenue growth anticipated at various specific Clinics is expected to be delivered by:
  - growth in the number of Clinicians employed by that Clinic,
  - growth from new and existing patients, considering continued organic growth strategies and
  - growth from newly opened Clinics,
The physiotherapy Operating Segment revenue is based on the gross billings expected by Clinician, assessed on a Clinic by Clinic basis, taking into consideration incremental revenue growth anticipated at a number of specific Clinics due to growth in the number of Clinicians employed by that Clinic and continued organic growth strategies including, but not limited to, the renovation and relocation of some of the physiotherapy Clinics, and

iOrthotics and D.B.S. Medical supplies products and equipment to the My FootDr Podiatry Clinics and the Podiatry Clinic Acquisitions and generates revenue through the supply of goods to other podiatry clinics external to the Group. Revenue generated by iOrthotics and D.B.S. Medical from the supply to Clinics is eliminated on consolidation in accordance with the relevant Australian Accounting Standard.

Other Income
Key assumptions relating to other income in the Forecast Financial Information considered separately for each existing Clinic include;

- other income including rental revenue and facility fees from the co-location of other allied health professionals inside Clinics. Growth is generally consistent with historical trends and assessed on a Clinic by Clinic basis, and
- incremental revenue growth due to increase space available to rent to allied health professionals due to increased space in a number of the physiotherapy Clinics which have recently undergone renovation or the relocation of the Clinics.

Employee benefits expenses
The Forecast Financial Information is based on the following key employee benefits expense assumptions, which Healthia has considered separately for each existing Clinic;

- for the all staff, except for those Clinicians whose salary is based on a fixed percentage of revenue, direct and indirect employee benefit expenses correspond to the current ongoing staff mix, including any expected staff recruitment (or redundancies) to ensure there is capacity to service existing revenue levels, forecast revenue growth and the supporting administrative functions of the Clinics
- for the Clinicians whose salary includes a fixed percentage of revenue, employee benefit expenses correspond to the FY17 historical percentages of revenue for these employees, and
- for the executives and support office employees, employee benefit expenses correspond to the existing or new employment contracts for each individual staff member.

Occupancy expenses
Occupancy costs have been based on existing contractual arrangements for all leases with certain other occupancy related expenses being based on FY17 numbers plus an allowance for inflation.

Depreciation and amortisation
Depreciation and amortisation is based on the current depreciation rates and estimated useful lives applied to plant and equipment and intangible assets, adjusted for planned capital expenditure, of the Group at Listing.

Customer related intangible assets are amortised from the time of acquisition and considers the calculated churn of the relevant intangible asset. Management regularly reviews the amortisation period for appropriateness.

Net finance costs
Net finance costs have been determined with reference to the capital structure expected to being place following the Completion of the Offer as if it occurred as at 1 July 2017. An average rate of interest of 6.2% has been used for the purposes of calculating the pro forma net finance costs.

Taxation
The Forecast Financial Information has been assumed on the basis that the Australian corporate tax rate will remain at 30% in the forecast period.
Capex
Planned capital expenditure has been forecasted as well as contingency for ongoing maintenance capital expenditure at an average rate of 2.5% of Group revenue.

Working capital
Working capital has been forecast by Healthia to be consistent of forecast movements in cash plus inventory plus third-party receivable less third-party trade payables less short-term employee entitlements.

Other
Other matters also assumed in the Forecast Financial Information include the following:
- Completion of the Offer and the costs associated with the Offer,
- Completion of each of the Audited Physiotherapy Acquisitions and the Other Acquisitions as expected,
- Successful implementation of the Planned Finance Facility as expected and the costs associated with financing being met as they become due and payable,
- No dividends are paid in FY18 or FY19, and
- No impairment of Healthia’s assets.

4.13.3. Comparison of the Pro Forma Consolidated Statement of Profit or Loss for FY17 and FY18
Table 4.13 sets out a comparison of the pro forma consolidated statement of profit or loss for FY17 and FY18.

Table 4.13: Comparison of the Pro Forma Consolidated Statement of Profit or Loss for FY17 and FY18

<table>
<thead>
<tr>
<th>Pro Forma</th>
<th>Note</th>
<th>FY17</th>
<th>FY18</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue and other revenue</td>
<td>1</td>
<td>66,572</td>
<td>69,407</td>
<td>2,836</td>
<td>4.26%</td>
</tr>
<tr>
<td>Other income</td>
<td>2</td>
<td>737</td>
<td>962</td>
<td>225</td>
<td>30.57%</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td></td>
<td>39,177</td>
<td>40,929</td>
<td>1,752</td>
<td>4.47%</td>
</tr>
<tr>
<td>Occupancy expense</td>
<td></td>
<td>7,398</td>
<td>7,706</td>
<td>308</td>
<td>4.17%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>3</td>
<td>11,931</td>
<td>12,398</td>
<td>467</td>
<td>3.91%</td>
</tr>
<tr>
<td>Pro Forma EBITDA</td>
<td>4</td>
<td>8,803</td>
<td>9,337</td>
<td>534</td>
<td>6.07%</td>
</tr>
</tbody>
</table>

Notes:
1. Revenue is after the elimination of intercompany revenue. Revenue growth in FY18 is driven by the following:
   a. organic growth from newly opened clinics,
   b. growth due to increase capacity in the Renovated Clinics,
   c. an increase in the number of clinicians employed across the Group, and
   d. ongoing organic growth from the Group’s organic growth strategies.
2. Other income is from rental revenue received and facility fees received from other third party allied health professionals who paid these fees to co-locate within one of the Clinics. Other income was impacted during FY18 due to the increase in space in the Renovated Clinics, allowing for additional rental revenue to be generated.
3. Other expenses were impacted in FY18 from the integration costs incurred by MFDA to integrate the My FootDr Business, as well as one-off relocation and renovation expense in relation to the Renovated Clinics, and
4. Pro Forma EBITDA represents the Group’s pro forma EBITDA before adjustments for minorities and the holders of Clinic Class Shares.
4.13.4. Comparison of the Pro Forma Consolidated Statement of Profit or Loss for FY18 and FY19

Table 4.14 sets out a comparison of the pro forma consolidated statement of profit or loss for FY18 and FY19.

Table 4.14: Comparison of the Pro Forma Consolidated Statement of Profit or Loss for FY18 and FY19

<table>
<thead>
<tr>
<th>Pro Forma</th>
<th>Note</th>
<th>FY18</th>
<th>FY19</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue and other revenue</td>
<td>1</td>
<td>69,407</td>
<td>71,802</td>
<td>2,394</td>
<td>3.45%</td>
</tr>
<tr>
<td>Other income</td>
<td>2</td>
<td>962</td>
<td>849</td>
<td>(113)</td>
<td>(11.77%)</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td></td>
<td>40,929</td>
<td>41,915</td>
<td>987</td>
<td>2.41%</td>
</tr>
<tr>
<td>Occupancy expense</td>
<td>3</td>
<td>7,706</td>
<td>8,728</td>
<td>1,022</td>
<td>13.26%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>4</td>
<td>12,398</td>
<td>11,738</td>
<td>(660)</td>
<td>(5.32%)</td>
</tr>
<tr>
<td>Pro Forma EBITDA</td>
<td>5</td>
<td>9,337</td>
<td>10,269</td>
<td>932</td>
<td>9.98%</td>
</tr>
</tbody>
</table>

Notes:
1. Revenue is presented on a consolidated basis and after the elimination of intercompany revenue. Revenue growth drivers include the following:
   a. organic growth from newly opened clinics
   b. growth due to increase capacity in the Renovated Clinics
   c. an increase in the number of forecast clinicians employed across the Group, and
   d. ongoing organic growth from the Group's organic growth strategies.
2. Other income is from rental revenue received and facility fees received from other third party allied health professionals who pay fees to co-locate within one of the Clinics.
3. Increase in occupancy expense in FY19 includes a full year impact from rental expenses from the following:
   a. any newly opened clinics, and
   b. any changes to occupancy expenses associated with the Renovated Clinics.
4. Other expenses were impacted in FY18 from matters including additional costs incurred by MFDA to integrate the My FootDr Business, and one-off relocation and renovation expenses in relation to the Renovated Clinics, and
5. Pro Forma EBITDA represents the Group’s pro forma EBITDA before adjustments for minorities and the holders of Clinic Class Shares. Assumed growth in Pro Forma EBITDA is driven mainly by a range of matters, including growth in revenue and reduction in Other Expenses.


The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Healthia, its Directors and Senior Management. As matters develop, the direction of Healthia is subject to change.

Future events and financial information relating to Healthia cannot be predicted in advance with any certainty. Variation from the forecast results in the Forecast Financial Information are expected and such variations may be material.

To assist potential investors to better understand the potential impact of changes in selected key variables, the Directors have provided the sensitivity analysis set out in Table 4.15 below.

Table 4.15 is a summary of the sensitivity of the pro forma forecast EBITDA attributed to Shareholders for FY19 and pro forma NPATA attributed to Shareholders for FY19 to changes in selected key variables. These key variables are not intended to be indicative of the complete range of variations that may be experienced, and any variations may be larger than allowed for in the sensitivity analysis. The selected sensitivity range for each sensitivity is not intended to be indicative or predictive of the likely range of outcomes that may occur.

Care should be taken when interpreting these sensitivities. The sensitivity analysis set out below treats each movement in the variables in isolation, in order to illustrate the potential impact on the forecast. In reality, the movements may be
interdependent, offset each other and/or be additive. In addition, Senior Management may respond to any adverse change in the variables analysed to minimise the net effect on Healthia’s earnings.

Table 4.15: Sensitivity Analysis

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Note</th>
<th>(Decrease)/Increase</th>
<th>Pro forma EBITDA attributable to Shareholders FY19</th>
<th>NPATA attributable to Shareholders FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td>(2.0%)/2.0%</td>
<td>+/- 1251</td>
<td>+/- 868</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td>(2.0%)/2.0%</td>
<td>+/- 14</td>
<td>+/- 10</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td></td>
<td>(2.0%)/2.0%</td>
<td>+/- 730</td>
<td>+/- 506</td>
</tr>
<tr>
<td>Other Expenses</td>
<td></td>
<td>(2.0%)/2.0%</td>
<td>+/- 204</td>
<td>+/- 141</td>
</tr>
</tbody>
</table>

4.15. Dividend Policy

The decision regarding the timing and amount of any dividends paid by Healthia, MFDA, PHL and HTPL will be made by the Directors having regard to, among other matters, their:

- Financial position
- Current and expected future trading results
- Current financial commitments, including debt repayments
- Capital expenditure requirements
- Available value accretive opportunities for which capital can be deployed
- Tax position (including franking credit balances), and
- Legal or regulatory restrictions on the payment of dividends.

The Directors intend to have an indicative payout ratio for Healthia of 40% to 60% of annual NPATA, however, no dividends are expected to be paid during FY19. The Board anticipates that the first dividend to Shareholders is expected to be paid in October 2019. This payout ratio is subject to variation for the matters set out above and the payout ratio and timing of dividends may change and may be lower or greater depending on the circumstances of the time.

MFDA, PHL and HTPL’s dividend policy is that, to the extent a dividend is able to be paid, a dividend for each Clinic Class Share in the clinic equal to one percent (1%) of the total potential clinic dividend (as defined in the terms of issue of the Clinic Class Shares) available for Clinic Class Shares in that clinic will be determined and paid quarterly.

Please consider the above having regard to the Forecast Financial information in this Section.

4.16. Summary of Significant Accounting Policies

Significant accounting policies which have been adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the parent 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 Group. They are de-consolidated from the date that control ceases. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components.
of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated group 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 Group.

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.

Business combination and Goodwill

Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition-date fair value, and the amount of any non-controlling interests 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 Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group’s operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group 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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.
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 Healthia’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 Healthia’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.

Financial assets

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. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Healthia has transferred substantially all the risks and rewards of ownership.

Loans and receivables

This category is the most relevant to Healthia. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, they are carried at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

This category applies to Healthia’s trade receivables.

Cash and cash equivalents

Cash and cash equivalents includes 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 includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Impairment of financial assets

Healthia assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.
Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Healthia's financial liabilities include trade and other payables, and loans and borrowings including bank overdrafts.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the profit or loss.

This category generally applies to interest-bearing loans and borrowings.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to Healthia and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services

Revenue from the provision of services is recognised by reference to when the services have been provided.

Taxes

Current income tax

The income tax expense or benefit for the period is the tax payable or receivable on that period’s taxable income based on the applicable income tax rate and tax laws that are enacted or substantively enacted at the reporting date, 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

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither then accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**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.

**Inventories**

Finished goods are stated at the lower of cost and net realisable value on a ‘first in first out’ basis. Cost comprises of purchase and delivery costs, net of 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.
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 straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>3-10 years</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>3-7 years</td>
</tr>
<tr>
<td>Plant and equipment under lease</td>
<td>2-5 years</td>
</tr>
</tbody>
</table>

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. Leasehold improvements and plant and equipment under lease 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 Healthia. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset’s useful life or over the shorter of the asset’s useful life and the lease term if there is no reasonable certainty that Healthia will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets (other than goodwill)

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 de-recognition 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.

Healthia amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Customer lists: 5 years.
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.

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.

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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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. The judgements estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) are discussed below.

Business combinations: Identifying appropriate accounting application: Business combination under AASB 3 or Common control transaction and applying pooling of interest (predecessor accounting)

My FootDr (Aust) Pty Ltd was incorporated to acquire the existing businesses within the my FootDr group, for the purposes of effecting new equity interests (third party) into the my FootDr group. The controlling interests pre and post transaction remain the same despite the introduction of new equity interests.

Common control transactions are exempted from the requirements of AASB 3 Business Combinations, however, it is possible for entities to elect to apply AASB 3 where the transaction has substance. The accounting in this area is complex and requires significant judgement. Management has adopted the AASB 3 acquisition accounting approach in relation to the my FootDr group restructure on the basis that management believes the third party arms-length investment supports management’s position that the transaction is one of significant substance.

Goodwill impairment assessment

Healthia tests annually, or more frequently if events or changes in circumstances indicate impairment. The recoverable amount has been determined based on value-in-use calculations using cash flow projections based on management approved financial budgets for a five-year period. Management applied significant assumptions relating to revenue growth rate, terminal growth rate, and a pre-tax discount rate. Healthia has identified two cash generating units (CGU) for impairment testing.
Classification of Clinic Class Shares: Equity vs Financial liability

Clinic Class Shares were issued to (1) the sellers (or their board approved nominees) on acquisition of various podiatry Clinics and (2) Clinicians (or their board approved nominees) wishing to (i) ‘buy-in’ to existing Clinics, or (ii) ‘buy-in’ to a new podiatry 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 the pro forma statement of financial position following amendments to the terms and conditions that result in the instruments having the characteristics of equity.

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 Healthia for the annual reporting period ended 30 June 2017. Healthia’s assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to Healthia, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 July 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income (OCI). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity’s own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an ‘expected credit loss’ (ECL) model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. Healthia will adopt this standard from 1 July 2018. AASB 9 has been considered in the preparation of the Forecast Financial Information and does not have a material impact on the Forecast Financial Information.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 July 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity’s statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity’s performance and the customer’s payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. Healthia will adopt this standard from 1 July 2018. AASB 15 has been considered in the preparation of the Forecast Financial Information and does not have a material impact on the Forecast Financial Information.
AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 July 2019. The standard replaces AASB 117 ‘Leases’ and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a ‘right-of-use’ asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a ‘right-of-use’ asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. Healthia will adopt this standard from 1 July 2019.

Impact of AASB 16
AASB 16 will impact the accounting for Healthia’s operating leases. Healthia performed its initial assessment of potential impact of AASB 16 on its non-cancellable operating lease commitments based on the different requirements of the standard. In particular, the different treatment of variable lease payments and of extension and termination options. At the date of initial application of AASB 16, that is 1 July 2019, Healthia estimated that it will record in its Statement of Financial Position right-of-use assets and lease liabilities amounting to $23.06 million and $24.52 million respectively. Further, the potential impact on EBITDA would be an increase of $7.38 million and an increase of $0.93 million on NPAT.
05. Risk factors
5. Risk factors

Investing in the Offer Shares involves risk. There are a number of risks that, either individually or in combination, may materially and adversely affect the future operating and financial performance of the Group and the value of the Shares.

This Section describes the risks which the Company currently believes to be the key risks associated with an investment in the Group. It does not purport to be an exhaustive list of every risk faced by the Group, now or in the future. Many of these risks, or the consequences of them, are outside the control of the Group. If one or more of these risks or a risk not specifically referred to in this Prospectus eventuates, then the future operating performance of the Group and the value of the Shares and of your investment may be significantly affected.

Prospective investors should read the whole of this Prospectus and consult with their professional advisors for legal, business, financial or tax advice in order to fully appreciate such matters and the manner in which the Group intends to operate before any decision is made to apply for Shares.

The following summary, which is not exhaustive, represents some of the major risk factors that Applicants need to be aware of. These risks have been separated into:

- risks specific to an investment in Healthia; and
- general risks relating to an investment in a listed company.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and impact of the risk if it did occur. The assessment is based on the knowledge of the Company as at the Prospectus Date, but there is no guarantee or assurance that the importance of different risks will not change, or other risks will not emerge. Any of these risks, and any other risks that may emerge, may have a material adverse effect on the business and financial position and performance.

There can be no guarantee that the Company will deliver on its business strategy, or that the forecasts or any forward-looking statement contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

Some of these risks may be mitigated by the Group’s internal controls and processes, but many are outside the control of the Group, the Directors and Senior Management. An investment in Healthia should be considered speculative.

You can do some things to reduce the impact of risk. Firstly, get professional advice suited to your investment objectives, financial situation and particular needs. Before deciding to invest in Healthia, prospective investors should:

a. read the entire Prospectus
b. consider the financial information and the risk factors that could affect the financial performance of the Company
c. review these factors in light of their personal circumstances, and
d. seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

5.1. Risks specific to an investment in Healthia

The operating results and profitability of the Group are sensitive to a number of factors. The Company should not be seen as a predictable, low risk investment.

The risks below should be considered in conjunction with the other information disclosed in this Prospectus.
<table>
<thead>
<tr>
<th>Risk</th>
<th>Description of risk</th>
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<tbody>
<tr>
<td>Integration risk</td>
<td>The Group will seek to integrate the Clinics acquired under the Acquisition Agreements following Listing. Key integration risks include higher than expected integration costs, potential disruption to Senior Management and the existing operations of the Group’s Businesses, lower than expected cost and revenue synergies from the vertically integrated B2B Businesses, the loss of patients and impairment of business relationships (such as with staff and suppliers). Potential issues could also arise from the inability to maintain uniform standards, controls, procedures and policies. Such integration risks can detract from the expected benefits contemplated by the Group and affect financial performance and growth. If the Acquisitions and integration are not appropriately controlled (following Listing and in respect of the Group’s future growth strategy), there is a risk that the process would impact service levels and the overall reputation of the Group, which could affect patient retention, staff retention, revenues and the ability for the Group to source additional acquisitions.</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>As discussed in Section 3, the Group will be undertaking the Acquisitions. There are execution, due diligence and liability risks associated with the Acquisitions. The Acquisition Agreements contain obligations on the parties and conditions which, if not complied with or satisfied, could affect the operation of the Group’s businesses post-Acquisition, or delay or prevent the Acquisitions from completing. The failure to satisfy conditions of the Acquisition Agreements, or a failure to complete or any delay in completing any Acquisition could adversely affect the Group’s ability to deliver on its business strategy, and its future performance, including the ability for the forecasts or any forward-looking statement contained in this Prospectus to be achieved or realised. The Group has performed due diligence in respect of each of the Acquisitions and sought certain standard warranty and indemnity protections under the Acquisition Agreements. However, there is a risk that the due diligence investigations have not identified issues that would have been material to the decision by the Group to undertake an Acquisition, and on what terms (including price). The Group may also suffer loss or damage flowing from historical events and operations of the Businesses acquired, which the Group may not be able to recover from the sellers under the terms of the Acquisition Agreements. Such issues could have a detrimental impact on the financial performance of the Group or its operations. There is also a risk that the expected benefits from the Acquisitions are not realised, for example, due to an inability to successfully integrate the acquired business. The Group may enter into deferred consideration payments as part of the Acquisition Agreements. These payments are contingent on certain financial requirements being met by the seller. There is a risk that the Group assesses that the financial requirements are not met and that the seller disputes this. This may lead to unexpected costs associated with dealing with the dispute and defending the Group’s position and could have an adverse effect on the financial performance of the Group.</td>
</tr>
<tr>
<td>Retention and effective utilisation of clinicians</td>
<td>The Group’s primary sources of earnings will be revenue generated from professional services provided by its clinicians. The Group’s performance will be influenced both by its ability to attract and retain, and by the efforts and actions of, its clinicians. Under the Group’s business model, the Group has limited control over the actions of clinicians. Under the terms of the standard employment agreement, clinicians can generally terminate their employment agreement without cause, subject to the provision of an agreed period of written notice to the Group. If a significant number of clinicians ceased their employment with the Group, and the Group were unable to adequately replace these clinicians, this could have a material detrimental impact on the Group’s ability to generate revenue, its ability to deliver on its business strategy, and its future financial performance. The Group expects its clinicians to generate individual revenue sufficient to meet the Group’s utilisation benchmarks and a failure to do so may adversely affect the financial performance of the Group to the extent that a component of their salary is fixed.</td>
</tr>
<tr>
<td>Availability of clinicians and quality staff</td>
<td>The Group requires access to high quality clinical staff in order to deliver services to derive revenue. An inability to attract and retain high quality staff may adversely impact on the financial performance of the Company.</td>
</tr>
<tr>
<td>Clinician Retention Program</td>
<td>The Clinician Retention Program has been developed on the basis that holders of Clinic Class Shares contribute capital to acquire Clinic Class Shares. If a significant number of holders of Clinic Class Shares wish to sell their Clinic Class Shares, and the Group (or the holder of Clinic Class Shares) were unable to identify new clinicians to acquire the Clinic Class Shares, this will increase the Group’s capital requirements and its capital exposure to the relevant clinics. This may also negatively affect the Group’s financial position and growth, its ability to implement its proposed business strategy and model, and its alignment with key clinicians.</td>
</tr>
<tr>
<td>Risk</td>
<td>Description of risk</td>
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<tr>
<td>Key management personnel</td>
<td>An investment in the Group is in large an investment in its Board and Senior Management team. The loss of key members of the Board or Senior Management, a change in the Board or Senior Management team or the failure to attract additional skilled individuals to key management roles, could have a material adverse effect on the Group’s operations, including its relationships with clinicians and suppliers.</td>
</tr>
<tr>
<td>Competition</td>
<td>There is a risk that increased competition from existing and new industry participants may impact Healthia’s revenue and profits. Healthia may also face competition from other participants in the acquisition of clinics, such as Zenitas Healthcare Limited. This competition may increase the price that Healthia must pay in order to secure the acquisition of new clinics or limit the clinics that Healthia can acquire. The Group, and its revenue, is also affected by competition between individual clinics operating within the same trade area of any of the Group’s clinics. Competition may relate to factors such as price, responsiveness, range of services available and quality of service. Patients are generally able to change clinics at will, including in response to competitive pressures. The actions of existing and new competitors could, among other things, affect the establishment and growth of the Healthia brands, result in a decline in the number of patients that visit the Group’s businesses and/or result in the Group experiencing lower than anticipated revenue and earnings.</td>
</tr>
<tr>
<td>Limited trading history</td>
<td>The Group has limited financial and operating history as a combined enterprise. The Group’s ability to achieve its objectives depends on the ability of the Group, the Board and Senior Management to successfully acquire and integrate the Acquisitions, to implement the proposed business strategy and to respond in a timely and appropriate manner to any unforeseen circumstances. As such, there is a risk that Healthia may not achieve these strategic objectives and there may be an adverse impact of the Group’s business, operating results and financial position. To assist investors, Financial Information is contained in Section 4 that incorporates underlying financial information of the Group on a pro forma and statutory basis, however past performance is not a reliable indicator of future performance.</td>
</tr>
<tr>
<td>Financing risk</td>
<td>The Group intends to rely on a combination of funding options including equity, Clinic Class Shares, seller deferred consideration and the Planned Finance Facility to finance its operations and acquisitions. An inability to raise capital (through the issue of Shares and Clinic Class Shares) or secure funding or drawdown on finance facilities or subsequently refinance the Planned Finance Facility, or any increase in the cost of such funding, may adversely impact the performance and financial position of the Group. Failure to meet financial covenants under the Group’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 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. An event of default or review event and the requirement to make early repayments and/or the termination of the facility may impact on the financial performance and position of Healthia and its ability to operate in the ordinary course of business.</td>
</tr>
<tr>
<td>Impairment of intangibles</td>
<td>Healthia will have a substantial amount of intangible assets on its statement of financial position relating to goodwill from the Acquisitions. Under the relevant accounting standards, the Company is required to annually test for impairment of all indefinite life intangible assets. If the Company is required to impair its indefinite life intangible assets, this could have an adverse impact on the financial position of the Group. Healthia has identified two CGU’s for impairment testing of goodwill, being the podiatry and physiotherapy CGUs. This means the Company will test the carrying value of its goodwill having regard to the two CGU.</td>
</tr>
<tr>
<td>Development and maintenance of reputation and brand</td>
<td>The Group’s success will depend on the maintenance of its reputation and brands. Following completion of the Acquisitions, it may take more time and resources than expected to maintain the My FootDr, Allsports Physiotherapy, iOrthotics and D.B.S. Medical brands, which could adversely impact the Group’s ability to earn revenue. The Group’s reputation and brands may be affected by factors within and outside of the Group’s control, including actions of staff and clinicians, and the experience and actions of patients. In particular, while clinicians are contractually responsible for the manner in which they provide clinical services to patients, any clinical incidents could affect the reputation of, and result in potential liability for, the Group (including vicarious liability or where the Group or its employees have contributed to harm). Any issues or events in relation to individual clinics could also have the potential to impact the reputation and brands of the Group, which may affect future growth and profitability.</td>
</tr>
<tr>
<td>Private healthcare insurance coverage and membership</td>
<td>Material reductions in private health insurance coverage, composition of policy coverage and/or decreases in membership rates could impact total expenditure in the allied health industries targeted by Healthia. If private health insurance membership, or the insured amounts, reduce, then this could potentially impact demand for the Group’s services and put downward pressure on fees charged to patients. This could negatively impact the Group’s revenues and financial performance, as the patient fees generated by the clinics may decrease.</td>
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<tr>
<td>Risk</td>
<td>Description of risk</td>
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<tr>
<td>Future acquisitions</td>
<td>The Group’s growth strategy includes the acquisition and integration of further B2B Businesses. There is a risk that the Group may be unable to identify and/or execute suitable opportunities, and a failure to do so could have an adverse impact on the value of the Shares. Any further acquisitions will also expose the Group to the risks commonly associated with making business acquisitions.</td>
</tr>
<tr>
<td>Renewal of lease agreements</td>
<td>The Clinics operate from leased premises. The leases have different legal terms, expiry dates and renewal options. There is a risk that one or more of these leases may not be transferred or renewed on terms acceptable to the Group. If this were to occur it may result in those Acquisition(s) not proceeding or the Group ceasing operations from the premises which the Clinic operates. This could adversely impact the Group’s business, operating results and financial position while the Clinic in question seeks alternative premises to relocate to.</td>
</tr>
<tr>
<td>Regulatory/policy risk</td>
<td>There are a number of industry risk factors that may affect the future operation and performance of the Group that are outside its control, including regulation of the physiotherapy and podiatry industries. Regulatory change may adversely impact the financial performance of the Group where it leads to increased compliance costs, decreased demand for services or a decrease in per patient revenues.</td>
</tr>
<tr>
<td>Technology risks</td>
<td>Following integration of the Acquisitions, the Group intends to use consistent information communications technology and systems across its businesses. The technology will be critical in managing employees, clinicians, patients and reporting requirements. Any significant interruption to these systems could adversely impact the Group’s business, operating results and financial position. The Group will also need to ensure that it has appropriate security measures and risk management systems in place to maintain the confidentiality and privacy of patient and personnel information. There is a risk that if such measures and systems are not adequate, then data (including sensitive information) may be compromised, which could cause financial and reputational damage or penalties where regulatory action is brought. The Group relies on a number of third party software and hardware providers to assist with the running of the Clinics. The Group’s practice management system which is critical in managing employees, clinicians, patients and reporting requirements, is provided by a specialist local provider of practice management software. There is a risk that the third-party software provider may not be able to continue to provide the Group with these services. Any significant interruption to the Groups use of software and hardware provided by these third parties could adversely impact the Group’s business, operating results and financial position.</td>
</tr>
<tr>
<td>Changes to financial reporting standards</td>
<td>The Group’s financial reports will be subject to compliance with the Australian Accounting Standards. The accounting treatment under the Australian Accounting Standards of transactions and events occurring in the operation of the Group’s business, or changes to accounting standards, may have a material adverse effect on the performance reported in the Group’s financial statements or in respect of other announcements to ASX. The AASB has issued new and amended Australian Accounting Standards and Interpretations which have mandatory application dates for future reporting periods. The Group has decided not been early adopted these new and amended Accounting Standards and interpretations. The following summaries those future requirements, and their impact on the Group. Refer to Section 4.16 for further details in relation to the potential impact of AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases</td>
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</table>
5.2. General risk factors applying to an investment in a listed entity

<table>
<thead>
<tr>
<th>Type of Risk</th>
<th>Description of Risk</th>
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<tr>
<td>Share market and liquidity</td>
<td>The market price of the Shares can rise and fall and may be subject to varied and unpredictable influences on the share market. The trading price of the Shares at any given time may be higher or lower than the price paid under the Offer. Further, you may be unable to sell or realise your investment because the market for Shares may be illiquid. Following Listing, approximately 56.0% of Shares (as set out in Section 11.6) will be subject to escrow, which may also impact on liquidity. The ASX may also require, as a condition of Listing, that Shares are escrowed for a period of time. Following release from escrow, these Shares will be able to be freely traded on ASX. A significant sale by formerly Escrowed Shareholders, or the perception that a sale may occur, could adversely impact the price of Shares. Share market conditions are affected by many factors, including: • general economic outlook • interest rates and inflation rates • currency fluctuations • changes in investor sentiment towards equities or particular market sectors • political instability • short selling and other trading activities • the demand for, and supply of, capital, and • force majeure events.</td>
</tr>
<tr>
<td>Financial market volatility</td>
<td>A fall in global or local equity markets or global or local bond markets may discourage investors from moving money into or out of equity markets. This may have a negative effect on the price at which the Shares trade on ASX.</td>
</tr>
<tr>
<td>General economic conditions</td>
<td>The Group may be negatively impacted by changes in the Australian or other international economies. In particular, there are risks from continued volatility in the US and Europe, international debt issues, impacts from currency and interest rate shifts and the potential for a contraction in the availability of debt or capital. These macro-economic factors may impact negatively through reduced future revenues, reduced demand for Healthia’s services, increased costs, foreign exchange losses, impacts of government responses to macro-economic issues and impacts on equity markets. These factors are beyond the control of the Group and the impact cannot be predicted.</td>
</tr>
<tr>
<td>Dividends</td>
<td>Healthia expects to pay dividends in the future. The ability of the Company to pay dividends will depend on the level of available liquidity taking in to account future expected cash requirements of the Group. In addition, many of the factors that will affect Healthia’s ability to pay dividends and the timing of those dividends may be outside the control of the Company and its Directors. The Directors cannot give any assurance regarding the payment of dividends in the future. MFDA, PHL and HTPL’s dividend policy is that, to the extent a dividend is able to be paid, a dividend for each Clinic Class Share in the clinic equal to one percent (1%) of the total potential clinic dividend (as defined in the terms of issue of the Clinic Class Shares) available for Clinic Class Shares in that clinic will be determined and paid quarterly. The payment of these dividends may affect the amount otherwise available to be paid to Shareholders.</td>
</tr>
<tr>
<td>Franking of dividends</td>
<td>There is no guarantee that the Company, MFDA, PHL or HTPL will have sufficient franking credits in the future to fully frank dividends or that the franking system will not be varied or abolished. The value and availability of franking credits to a shareholder will depend on their particular tax circumstances. Shareholders should be aware that the ability to use franking credits, as a tax offset or to claim a refund after the end of the income year will depend on the individual tax position of each shareholder.</td>
</tr>
<tr>
<td>Regulatory risk</td>
<td>The Group is subject to a range of regulatory controls imposed by government (federal and state) and regulatory authorities (for example, ASX and ASIC). The relevant regulatory regimes are complex and are subject to change over time, depending on changes in the laws and the policies of the governments and regulatory authorities. The Group is exposed to: the risk of changes to applicable laws and/or the interpretation of existing laws, which may have a negative effect on the Group, or the risks associated with non-compliance with these laws (including reporting or other legal obligations). Non-compliance may result in financial penalties being levied against the Group.</td>
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<tr>
<td>Type of Risk</td>
<td>Description of Risk</td>
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<tr>
<td>Shareholder dilution</td>
<td>In the future, the Company may elect to issue Shares or other securities. While the Company will be subject to the constraints of the ASX Listing Rules regarding the issue of Shares or other securities, Shareholders may be diluted as a result of such issues of Shares or other securities.</td>
</tr>
<tr>
<td>Changes in taxation laws and policies</td>
<td>Tax laws are in a continual state of change which may affect the Company and its Shareholders. There may be tax implications arising from ownership of the Shares, the receipt of franked and unfranked dividends (if any) from the Company, MFDA, PHL or HTPL, receiving returns of capital and the disposal of the Shares. Changes to tax laws may adversely affect the Group's financial performance and/or the returns achieved by investors. Dividends paid to certain investors may not be recognised as frankable by the ATO. The Group is not responsible for either taxation implications or penalties incurred by investors. You should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of the tax legislation to your investment in the Company.</td>
</tr>
</tbody>
</table>
| Other                             | There are a range of other general risks, which may impact on Healthia’s business or an investment in the Shares, which include but are not limited to:  
  • industrial action impacting the business directly or indirectly; and  
  • government policies generally (in addition to taxation noted above). |
06. Key people, interests and benefits
6. Key people, interests and benefits

6.1. Board composition

The business and affairs of the Group are managed directly by the Board. In particular, the Board:

- establishes the long-term goals of the Group and strategic plans to achieve those goals
- manages risk by ensuring that the Group has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities, and
- works with management to create Shareholder value.

The Board is composed of experienced executives, with a broad and diverse range of business experience. The composition of the Board is set out below.

**Dr Glen Richards**  
Chairman and Non-Executive Director  
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 New Zealand.

Glen will be a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

**Paul Wilson**  
Independent Non-Executive Director  
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.

Paul will be Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

**Lisa Dalton**  
Independent Non-Executive Director  
Lisa is an experienced director, senior executive and company secretary with expertise in the healthcare, medical, utilities, manufacturing, childcare, energy, mining and construction sectors.

She has experience in leading teams responsible for strategy, governance, risk management, human resources, communication, stakeholder relations and program management. Lisa has participated in 4 successful ASX listings in the past 5 years.

Lisa has strong practical experience in fit for purpose governance, risk management, strategic planning and motivating teams to find solutions to complex issues.

Lisa will be Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

**Darren Stewart**  
Chief Executive Officer Podiatry  
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 My FootDr Business.

**Anthony (Tony) Ganter**  
Chief Executive Officer Physiotherapy  
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.
6.2. Senior Management team

Wesley Coote
Chief Financial Officer & Company Secretary
Wesley is the former Chief Financial Officer and Company Secretary of Greencross Ltd.
Prior to Greencross, Wesley worked in Chartered Accounting where he provided businesses 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.

Glen Evangelista
Chief Operating Officer Podiatry
Glen founded the Balance Podiatry Group in 2002 and co-founded iOrthotics in 2009. The Balance Podiatry Group was Australia’s first national podiatry brand with 11 Clinics operating throughout Queensland, Western Australia and the Northern Territory. Glen saw an opportunity to transform traditional podiatry services through a medical-retail model through the location of clinics within retail shopping centres.
In December 2016 Glen merged the Balance Podiatry Group with the My FootDr Business and managed the acquisition or establishment of an additional 30+ Clinics during the 2017 calendar year. Glen has extensive experience in multi-site podiatry and allied health service delivery and management, greenfield expansion, footwear retail, shopping centre leasing, clinic acquisitions, database marketing, and the integration and business development of podiatry clinics.
Glen has been the Chief Operating Officer of the Group since December 2016, and is responsible for managing the national podiatry service, driving business development and establishing new clinics and acquisitions for the Group throughout Australia.

Lisa Roach
Chief Operating Officer Physiotherapy
Lisa has over 25 years’ experience in the physiotherapy private clinic sector. She is a partner in several of the Allsports Physiotherapy Clinics throughout Brisbane and on the Gold Coast. After spending 10 years as a practising clinical physiotherapy Lisa moved to take on the growing full-time role of business management and to oversee the evolving strategic development for the Allsports Physiotherapy Clinics.

Chris Banks
Chief Commercial Officer
Possessing over a decade of professional experience across finance and strategy, Chris initially joined the My FootDr Group in July 2017.
Prior to this, Chris worked for the Bank of Queensland where he held a number of strategic leadership positions. During this time, Chris was responsible for managing a range of projects and initiatives across the corporate development and business banking divisions.
Before Bank of Queensland, Chris gained over eight years’ experience in corporate finance with KPMG and Ernst & Young, advising on corporate transactions.
Chris is a member of Chartered Accountants Australia and New Zealand and holds a Masters in Applied Finance.

Dean Hartley
Chief Information Officer
Dean Hartley is a podiatrist of 10 years and is the co-founder of iOrthotics.
Dean was integral in the development of iOrthotics and implementing 3D printing technology in the orthotics industry in Australia.
As CIO, Dean is responsible for setting the IT roadmap, ensuring this works with the broader business strategy whilst being the interface between the technology department and the rest of the business.

Greg Dower
Chief Business Development Officer
Greg is a registered podiatrist who started his own practice in 1994 and co-founded the My FootDr Business with Darren Stewart in 2004. By December 2015, the two had grown the group to 13 Clinics.
Over the years Greg has pioneered many technologies within the podiatry profession. These have included, CADCAM foot orthotics, scanners and integration for custom footwear and orthotic and prosthetic bracing,
toenail lasers, TAG Brace and shockwave treatment. He was awarded the QUT’s Outstanding Alumni Award for the Faculty of Health along with The Chancellors Award for services to the podiatry profession in 2016. Today, Greg is responsible for business development. He brings new ideas, concepts, technology, acquisitions and other opportunities to the Group for assessment.

6.3. Remuneration and interests
Refer to Section 11.5 for details of the remuneration and interests of, and the indemnity, access and insurance arrangements in place for, Directors and officers and the remuneration of certain members of Senior Management.

6.4. The Board and Corporate Governance
The Board is constructed to ensure that the Group is properly managed to protect and enhance Shareholder interests and that the Company, its Directors and officers operate in an appropriate governance environment. The Board is responsible for the overall governance of the Company.

Each Director has confirmed that they anticipate being able to perform their duties as a Director without constraint from their other commitments.

Issues of substance affecting the Company are considered by the Board with advice from external advisors as required. Each Director must declare all actual or potential conflicts of interest. Any issue concerning a Director’s ability to properly act as Director will be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

6.4.1. Board committees
The Board has established four standing committees to assist the Board in fulfilling its responsibilities as set out below. The board may also establish other committees from time to time to assist in the discharge of its responsibilities.

<table>
<thead>
<tr>
<th>Board Committee</th>
<th>Committee responsibilities</th>
<th>Members of the committee as at the Prospectus Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit and risk committee</strong></td>
<td>The Audit and risk committee’s principal functions are to:</td>
<td>Paul Wilson (Independent Committee Chair)</td>
</tr>
<tr>
<td></td>
<td>• review and monitor the integrity of the Company’s consolidated financial reports and statements</td>
<td>Lisa Dalton (Independent Committee Member), and</td>
</tr>
<tr>
<td></td>
<td>• review and oversee systems of risk management, internal control and regulatory compliance within the Company and its subsidiaries, and</td>
<td>Glen Richards (Non-Independent Member).</td>
</tr>
<tr>
<td></td>
<td>• liaise with and monitor the performance and independence of the external auditor.</td>
<td></td>
</tr>
<tr>
<td><strong>Nomination and remuneration committee</strong></td>
<td>The nomination and remuneration committee’s principal functions are to:</td>
<td>Lisa Dalton (Independent Committee Chair)</td>
</tr>
<tr>
<td></td>
<td>• assist the Board and make recommendations to it about the appointment of new directors of the Company (both executive and non-executive), and</td>
<td>Paul Wilson (Independent Committee Member), and</td>
</tr>
<tr>
<td></td>
<td>• advise on remuneration and issues relevant to remuneration policies of the Group including for Directors and Senior Management.</td>
<td>Glen Richards (Non-Independent Member).</td>
</tr>
</tbody>
</table>
### Podiatry Clinical Advisory Committee

The Podiatry Clinical Advisory Committee’s principal functions are:

- Reviewing and endorsing the Group’s podiatry service delivery standards, including treatment guidelines, protocols and assessment processes.
- Developing and reviewing the Group’s podiatry clinical policies and procedures.
- Identifying opportunities for podiatry training within the Group to improve or expand podiatry services.
- Assessing and endorsement of new technologies or products that may be implemented into the Group’s podiatry Clinics.
- Reviewing and assessment of podiatry clinical complaints and development of recommendations on actions to be undertaken, and.
- Supporting a culture that promotes ethical and responsible behaviour and compliance with the Patient Charter.

**Members of the committee as at the Prospectus Date**

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Committee Chair</td>
<td>Adrian Singh</td>
</tr>
<tr>
<td>Independent Committee Member</td>
<td>Abbey Smith</td>
</tr>
<tr>
<td>Independent Committee Member</td>
<td>Kelly Ogden</td>
</tr>
<tr>
<td>Independent Committee Member</td>
<td>Trent Johnston</td>
</tr>
<tr>
<td>Independent Committee Member</td>
<td>Matthew Keating</td>
</tr>
<tr>
<td>Independent Committee Member</td>
<td>David Lee</td>
</tr>
<tr>
<td>Independent Committee Member</td>
<td>Craig Paige</td>
</tr>
</tbody>
</table>

### Physiotherapy Clinical Advisory Committee

The Physiotherapy Clinical Advisory Committee’s principal functions are:

- Reviewing and endorsing the Group’s physiotherapy service delivery standards, including treatment guidelines, protocols and assessment processes.
- Developing and reviewing the Group’s physiotherapy clinical policies and procedures.
- Identifying opportunities for physiotherapy training within the Group to improve or expand physiotherapy services.
- Assessing and endorsement of new technologies or products that may be implemented into the Group’s physiotherapy Clinics.
- Reviewing and assessment of physiotherapy clinical complaints and development of recommendations on actions to be undertaken, and.
- Supporting a culture that promotes ethical and responsible behaviour and compliance with the Patient Charter.

**Members of the committee as at the Prospectus Date**

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Committee Chair</td>
<td>Kerrie Evans</td>
</tr>
<tr>
<td>Independent Committee Member</td>
<td>Amy Chu</td>
</tr>
<tr>
<td>Independent Committee Member</td>
<td>Viana Vuvan</td>
</tr>
<tr>
<td>Independent Committee Member</td>
<td>Sep Rafiee</td>
</tr>
<tr>
<td>Independent Committee Member</td>
<td>Ben Snell</td>
</tr>
<tr>
<td>Independent Committee Member</td>
<td>Vaughan Nicolson</td>
</tr>
</tbody>
</table>

Each committee has the responsibilities described in its respective committee charter which has been prepared having regard to the ASX Listing Rules and the ASX Corporate Governance Principles.

### 6.4.2. Governance policies

The governance policies set out in this Section 6.4.1 have been adopted by the Board and will be made available on the Group’s website prior to its admission to the Official List.

<table>
<thead>
<tr>
<th>Governance policy</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board charter</strong></td>
<td>The board charter formalises the roles and responsibilities of the Board (including the process for evaluating the performance of the Board). The Board is responsible for monitoring the Company’s performance in delivering its strategic plans and reviewing the division of functions and responsibilities between the Board, CEO and the Company’s executive team.</td>
</tr>
<tr>
<td><strong>Code of conduct</strong></td>
<td>The code of conduct addresses matters relevant to the Company’s legal and ethical obligations and standards it expects from its Directors, officers and employees. This policy outlines its requirements with respect to relationships, compliance with laws and ethics, conflicts of interest, confidentiality, use of the Company’s assets and competition.</td>
</tr>
<tr>
<td><strong>Securities trading policy</strong></td>
<td>The securities trading policy sets out the Company’s policy with regard to trading in the Company’s securities. This policy applies to all Directors, employees and their associates. The policy sets out the general prohibition on insider trading, restrictions on trading and required notification of proposed trading in the Company’s securities.</td>
</tr>
<tr>
<td>Governance policy</td>
<td>Summary</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Diversity policy</td>
<td>The diversity policy sets out the Company’s commitment to increased workplace diversity across all levels of the Company. Under this policy, the Company will aim to achieve greater diversity by setting objectives at all levels, broadening the field of potential candidates for the positions and promoting the benefits of workplace diversity for all employees.</td>
</tr>
<tr>
<td>Shareholder Communications policy</td>
<td>Together with the continuous disclosure policy outlined below, the shareholder communications policy has been adopted with a view to ensuring that the Company complies with the requirements of the ASX Listing Rules, and the Corporations Act. The policy also outlines responsibilities for shareholder communications including: reports issued to shareholders; ASX announcements; annual general meetings; availability of information on the Company’s website; and procedures for communicating with shareholders, the media and the market.</td>
</tr>
<tr>
<td>Continuous disclosure policy</td>
<td>The continuous disclosure policy has been adopted with a view to ensuring that the Company complies with the requirements of the ASX Listing Rules and the Corporations Act. The policy highlights the requirements for immediate notification; the procedure for disclosing the information; those responsible for disclosing the information; and policy review details.</td>
</tr>
<tr>
<td>Risk management policy</td>
<td>This policy is designed to assist the Company to identify, monitor and manage the risks affecting the Company’s business.</td>
</tr>
<tr>
<td>Audit and risk committee charter</td>
<td>The Board is committed to a transparent system for auditing and reporting the Group’s financial performance. The Board has established an audit and risk committee whose principal functions are to: • review and monitor the integrity of the Company’s consolidated financial reports and statements • review and oversee systems of risk management, internal control and regulatory compliance within the Company and its subsidiaries, and • liaise with and monitor the performance and independence of the external auditor. The audit and risk committee charter outlines: the composition of the audit and risk committee; its authority and responsibilities; meeting requirements; and oversight of the risk management system.</td>
</tr>
<tr>
<td>Nomination and remuneration committee charter</td>
<td>The nomination and remuneration committee’s role is to: • assist the Board and make recommendations to it about the appointment of new directors of the Company (both executive and non-executive), and • advise on remuneration and issues relevant to remuneration policies and Allied Health Businesses, including for directors and senior management. The nomination and remuneration committee charter outlines the composition of the committee; its responsibilities (including in relation to the selection of and making recommendations about new Board candidates and ongoing responsibilities for Board member performance reviews, assessments and remuneration policies) and its meeting requirements.</td>
</tr>
<tr>
<td>Podiatry Clinical Advisory Committee Charter</td>
<td>The Podiatry Clinical Advisory Committee’s principal functions are: • reviewing and endorsing the Group’s podiatry service delivery standards, including treatment guidelines, protocols and assessment processes • developing and reviewing the Group’s podiatry clinical policies and procedures; and • identifying opportunities for podiatry training within the Group to improve or expand podiatry services • assessment and endorsement of new technologies or products that may be implemented into the Group’s podiatry Clinics • reviewing and assessment of podiatry clinical complaints and development of recommendations on actions to be undertaken, and • supporting a culture that promotes ethical and responsible behaviour and compliance with the Group’s Patient Charter. The podiatry clinical advisory committee charter outlines the composition of the committee; its responsibilities and its meeting requirements.</td>
</tr>
</tbody>
</table>
Governance policy | Summary
--- | ---
Physiotherapy Clinical Advisory Committee Charter | The Physiotherapy Clinical Advisory Committee’s principal functions are:
• reviewing and endorsing the Group’s physiotherapy service delivery standards, including treatment guidelines, protocols and assessment processes
• developing and reviewing the Group’s physiotherapy clinical policies and procedures
• identifying opportunities for physiotherapy training within the Group to improve or expand physiotherapy services
• assessment and endorsement of new technologies or products that may be implemented into the Group’s physiotherapy Clinics
• reviewing and assessment of physiotherapy clinical complaints and development of recommendations on actions to be undertaken, and
• supporting a culture that promotes ethical and responsible behaviour and compliance with the Group’s Patient Charter.

The physiotherapy clinical advisory committee charter outlines the composition of the committee; its responsibilities and its meeting requirements.

6.4.3. Best practice commitment

The Company is committed to achieving and maintaining the highest standards of conduct and has implemented initiatives to achieve this objective. The Company’s corporate governance policies are intended to institutionalise good corporate governance and build a culture of best practice both in the Company’s own internal businesses and in its dealings with others.

The Company has considered the ASX Corporate Governance Principles to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines. The Board will consider on an ongoing basis its corporate governance procedures and whether they are sufficient given the Company’s nature of operations and size and will seek to follow these recommendations where possible.

Based on Healthia’s size and business on listing, the Directors believe that they are able to objectively analyse the issues before them in the best interests of Shareholders and in accordance with their duties as Directors. The Directors consider that the Board and the Directors have the skills and commitment to enable the Board to discharge its duties effectively.

As required under the ASX Listing Rules, where the Company determines it would be inappropriate to follow the principles because of its circumstances, the Company will provide reasons for not doing so in its annual report.

As at the Prospectus Date, the Board does not anticipate that it will depart from the recommendations in the ASX Corporate Governance Principles, other than as set out below.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2 – Board skills matrix</td>
<td>The Board has departed from Recommendation 2.2 as it has not adopted a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve. The Board has been structured to be comprised of experienced executives with a broad and diverse range of business experience and has appointed the Nomination and Remuneration Committee to make recommendations to the Board to ensure the most appropriate mix of skills, expertise and experience to effectively govern the Group. Although the Board Charter provides for the use of the board skills matrix to identify gaps in the skills, qualifications, diversity and experience of the Directors of the Board, the Board does not consider it is necessary to develop a board skills matrix at this time. The experience and skills of each Director are set out in Section 6.1.</td>
</tr>
<tr>
<td>2.4 – Majority of Board should be independent</td>
<td>The Board has departed from Recommendation 2.4 by having a Board which is comprised of 2 independent directors and 3 directors who are deemed to not be independent. The Board does not consider the departure to be materially detrimental to the Group as it considers the Board’s independence and concluded that non-executive Director, Glen Richards, brings experience, objective and unbiased judgement to the Board’s deliberations and that the executive Directors (Darren Stewart and Tony Ganter) provide a deep understanding of the podiatry and physiotherapy industries. The Group will continue to assess the Board composition following Listing and if deemed appropriate will make any necessary changes to ensure effective governance of the Group.</td>
</tr>
<tr>
<td>2.5 – The chair of the Board should be an independent director</td>
<td>The Board has departed from Recommendation 2.5 as Glen Richards is not deemed to be independent given he will be a Substantial Shareholder of the Company on Completion of this Offer. The Board does not consider the departure to be materially detrimental to the Group as it considers the chair’s independence and concluded that Glen Richards isn’t charged with the management of the Group and there is appropriate separation between himself and those responsible for the management of the Group. Furthermore, he brings experience, objective and unbiased judgement to the Board’s deliberations. The Group will maintain a deputy chair that is independent who can fulfil the role of the chair if he is deemed to be conflicted. At the date of the Prospectus Paul Wilson is nominated as the deputy chair.</td>
</tr>
</tbody>
</table>

### 6.4.4. Company secretary

The Company Secretary is responsible for ensuring that Board procedures and policies are followed and provides advice to the Board including on matters involving corporate governance and the ASX Listing Rules. All Directors have unfettered access to the advice and services of the Company Secretary. As at the Prospectus Date, Wesley Coote is the Company Secretary.

### 6.5. Independence

Having regard to the factors set out in the ASX Corporate Governance Principles:

- Paul Wilson and Lisa Dalton are considered to be independent Directors, free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of the Directors’ judgement and each is able to fulfil the role of an independent director for the purposes of the ASX Corporate Governance Principles. Whilst Paul Wilson (personally or through entities he controls) is a Shareholder, Paul will not be considered a Substantial Shareholder of the Company on Completion of the Offer.
- Glen Richards is not considered independent given he is a Substantial Shareholder of the Company on Completion of this Offer.
- Darren Stewart and Tony Ganter are not currently considered independent given their respective employment by the Company in executive roles.

The Board doesn’t consist of a majority of independent Directors. The Board has concluded that non-executive Director, Glen Richards, brings experience, objectivity and unbiased judgement to the Board’s deliberations and that the executive Directors (Darren Stewart and Tony Ganter) provide a deep understanding of the podiatry and physiotherapy industries.

### 6.6. Independent professional advice

To fulfil their duties and responsibilities as Directors, each Director (with the prior approval of the Chairman) may seek independent legal or other professional advice about any aspect of the Company’s operations. The Chairman’s approval may not be unreasonably withheld or delayed. The cost of the advice is borne by the Company.
07. Details of the Offer
7. Details of the Offer

7.1. The Offer

The Offer is an initial public offer of 34,391,064 Shares, which are to be issued by the Company at an Issue Price of $1.00 per Share.

The Offer is comprised of:

- a fully underwritten Broker Firm Offer, Institutional Offer and Chairman’s List Offer of 26,849,009 Shares to raise approximately $26.8 million, and
- a Clinician Participation Offer of 7,542,054 Shares to Eligible Clinicians as part consideration for the acquisition of their businesses under the Acquisition Agreements.

The Offer is expected to raise approximately $26.8 million.

The Offer Shares will rank equally in all respects with all other Shares issued by the Company. The rights and liabilities attaching to the Shares are set out in Section 11.4.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

The Broker Firm Offer, Institutional Offer and Chairman’s List Offer are fully underwritten by the Underwriter. The Clinician Participation Offer is not underwritten.

<table>
<thead>
<tr>
<th>Structure of the Offer details</th>
<th>Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broker Firm Offer</td>
<td>Brokers, or, following lodgement of this Prospectus, Australian resident investors who are Retail Investors and who have received a firm allocation from their Broker.</td>
</tr>
<tr>
<td>Institutional Offer</td>
<td>An Applicant to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Company is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (disregarding section (708(1))).</td>
</tr>
<tr>
<td>Chairman’s List Offer</td>
<td>Selected investors in Australia who have received an invitation under the Chairman’s List Offer.</td>
</tr>
<tr>
<td>Clinician Participation Offer</td>
<td>Eligible Clinicians</td>
</tr>
</tbody>
</table>

7.2. Opening and closing dates

The key dates, including details of the Offer Period, are set out on page (i).

The Company reserves the right to close any of the Offers early, extend the Offer Closing Date for any Offer or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Any change to the Offer Closing Date (including if closed early or extended) will have a consequential effect on the date for the issue of the Shares. No Shares will be issued or transferred on the basis of this Prospectus later than 13 months after the Prospectus Date

7.3. Purpose of the Offer

The Company is seeking to raise funds and list on ASX to:

- complete the Acquisitions
- to fund working capital
- gain access to capital markets to provide a liquid market for the Shares
- realise the benefits of a public profile associated with being a listed entity
- allow the Existing Shareholders to realise some of their value in the My FootDr Business grown over several years, and
- provide funds to pay the costs associated with this Offer and the Acquisitions.
7.4. Source and use of funds

The Offer is expected to raise approximately $26.8 million. The table below sets out a summary of the anticipated use of the proceeds of the Offer.

<table>
<thead>
<tr>
<th>Source of funds</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue of Offer Shares</td>
<td>26.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Use of proceeds</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund the cash payments required for the Acquisitions</td>
<td>17.6</td>
</tr>
<tr>
<td>Fund the Existing Shareholder Sell-down</td>
<td>2.5</td>
</tr>
<tr>
<td>Pay costs of the Acquisitions</td>
<td>2.3</td>
</tr>
<tr>
<td>Pay costs of the Offer</td>
<td>2.4</td>
</tr>
<tr>
<td>Fund working capital</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26.8</strong></td>
</tr>
</tbody>
</table>

Existing Shareholder Sell-down relates to the deferred consideration payable to certain Existing Shareholders as part of an internal restructure completed prior to the date of this Prospectus under which their shares in My FootDr (Aust) Limited were transferred to Healthia for the purposes of facilitating the Listing.

At Listing, the Planned Finance Facility is expected to be drawn to $15.0 million and the funds drawn will be used to refinance existing debt of the MFDA Group and upfront costs of the Planned Finance Facility. In addition to the $15.0 million drawn amount at Listing, the Company will also have available additional headroom under the Planned Finance Facility (as set out in Section 8.2) to assist with funding of future acquisitions.

7.5. Potential effect of the fundraising on the future of the Company

The Directors believe that on Completion, the Company will have sufficient funds available from the proceeds of the Offer, cash held at Completion, anticipated undrawn funds under the Planned Finance Facility and its operations to fulfil the purposes of the Offer and meet its stated business objectives as set out in Section 3.

7.6. Shareholding structure

The details of the ownership of Shares immediately prior to and on Completion of the Offer are set out below.

<table>
<thead>
<tr>
<th>Shares</th>
<th>Shares held on the Prospectus Date</th>
<th>Shares held on Completion of the Offer</th>
<th>Percentage held on Completion of the Offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Shareholders</td>
<td>28.6 million shares</td>
<td>28.6 million shares</td>
<td>45.4%</td>
</tr>
<tr>
<td>Shares issued under the Clinician Participation Offer</td>
<td>Nil</td>
<td>7.5 million shares</td>
<td>12.0%</td>
</tr>
<tr>
<td>Shares issued under the Underwritten Offer</td>
<td>Nil</td>
<td>26.8 million shares</td>
<td>42.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28.6 million shares</strong></td>
<td><strong>63.0 million shares</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
7.7. How to apply

If you have received an invitation to participate in the Clinician Participation Offer and wish to apply for Shares under the Clinician Participation Offer please refer to Section 7.9 below.

If you have received an invitation to participate from your Broker and wish to apply for Shares under the Broker Firm Offer please refer to Section 7.10 below.

If you have received an invitation to participation from the Underwriter under the Institutional Offer please refer to Section 7.11 below.

If you have received an invitation to participate under the Chairman’s List Offer, please refer to Section 7.12 below.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

7.8. What is the minimum application size?

7.8.1. Underwritten Offer

Applications must be for a minimum of 2,000 Offer Shares. Applications in excess of the minimum number of Offer Shares must be in multiples of 500 Offer Shares.

There is no maximum amount that may be applied for under the Underwritten Offer.

7.8.2. Clinician Participation Offer

Eligible Clinicians will be entitled to apply for that number of Shares they are entitled to be issued under their Acquisition Agreement.

The maximum number of Shares to be issued under the Clinician Participation Offer is $7.5 million Shares.

7.8.3. Aggregation and scale back

The Company reserves the right to scale back any Applications in the Clinician Participation Offer or Underwritten Offer.

The Company reserves the right to aggregate any Applications under the Offer which it believes may be multiple Applications from the same person.

7.9. Clinician Participation Offer

The Clinician Participation Offer is being extended to Eligible Clinicians. Eligible Clinicians will be entitled to apply for that number of Shares they are entitled to be issued under their Acquisition Agreement at an Issue Price of $1.00 per Share.

Shares issued under the Clinician Participation Offer will be issued in partial satisfaction of the Group’s obligation to pay the purchase price under the Acquisition Agreements.

If the Clinician Participation Offer is not fully subscribed the aggregate number of Shares issued under that Offer will be reduced (ie any unsubscribed balance will not become available for allocation under the Underwritten Offer). If you are a Clinician Participation Offer Applicant, you must complete the Clinician Participation Offer Application Form and pay the relevant Application Monies in accordance with the instructions on the Clinician Participation Offer Application Form.
7.10. Broker Firm Offer

If your Broker has offered you a firm allocation of Shares, you must complete the Broker Firm Offer Application Form and deliver it and your Application Money to your Broker directly (not to the Share Registry) in accordance with the relevant Broker’s directions in order to receive your firm allocation.

Your Broker will act as your agent in submitting your Application. The Company, the Share Registry and the Underwriter take no responsibility for any acts or omissions by your Broker in connection with your Application, Application Form or Application Money.

Your Broker should explain this procedure to you in further detail. If you have a firm allocation of Shares and are in any doubt about what action to take, you should immediately contact the Broker who has made you the firm offer.

7.11. Institutional Offer

The Institutional Offer consists of an invitation prior to the Prospectus Date to certain Institutional Investors to apply for Shares under this Prospectus. Application procedures for Institutional Investors have been advised to the Institutional Investors by the Underwriter. Offer and acceptances in the Institutional Offer are made with disclosure and under this Prospectus at the Issue Price.

7.12. Chairman’s List Offer

Up to 3 million Shares are offered under the Chairman’s List Offer which will be allocated at the discretion of the Chairman and the Company. If you have received an offer to participate in the Chairman’s List Offer, you must complete the Chairman’s List Offer Application Form and deliver it with your Application Money in accordance with the instructions on the Chairman’s List Offer Application Form.

7.13. Fees payable to the Underwriter

The Underwritten Offer is fully underwritten by the Underwriter, Canaccord Genuity (Australia) Limited. If the Company does not receive valid applications for the full amount of 26.849 million Shares under those offers, the Underwriter will subscribe for, or procure subscriptions for, any shortfall. The Company and the Underwriter have entered into an Underwriting Agreement with respect to those offers, details of which are set out in Section 8.1.

The Company has agreed to pay a fee to the Underwriter equal to 4.5% of the gross proceeds of the Underwritten Offer (exclusive of GST) in connection with its role as Underwriter (Underwriting Fee).

The Company may elect to pay (at its discretion) a discretionary incentive fee of 0.5% of the gross proceeds of the Underwritten Offer. If it is paid, the Underwriter may elect to receive it in cash or as shares (issued at the Issue Price).

The Underwriting Fee will be payable to Canaccord Genuity (Australia) Limited on the Offer Settlement Date. The terms of the Underwriting Agreement are summarised more fully in Section 8.1.

7.14. Brokerage, commission and stamp duty

You do not have to pay brokerage, commission or stamp duty if you acquire Shares under the Offer. Fees are payable by the Company in relation to the Offer to the Underwriter and other advisers, details of which are set out in Sections 7.13, 8.1 and 11.9.
7.15. Allocation policy and confirmation

The basis of allocation of firm stock to Brokers was determined by the Underwriter in consultation with the Company. It will be a matter for those Brokers how they allocate Shares among their retail clients, and they (and not the Company or the Underwriter) will be responsible for ensuring that retail clients who have received an allocation form them, receive their Shares. Applicants under the Broker Firm Offer will be able to confirm their allocation through the Broker from whom they received their allocation.

Eligible Clinicians will be entitled to apply for that number of Shares they are entitled to be issued under their Acquisition Agreement.

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The allocation of Shares among applicants in the Institutional Offer was determined by the Underwriter in consultation with the Company. The Underwriter and the Company have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

The basis of allocation under the Chairman’s List Offer will be determined by the Company in consultation with the Underwriter.

Applicants under the Offer will be able to call the Offer Information Line on 1800 990 479 (within Australia) between 8.30am and 5.30pm AEST, from 31 July 2018 to confirm their allocation.

Holding statements confirming Applicants’ allocations under the Offer are expected to be sent to successful Applicants on or around 6 September 2018.

7.16. Application Monies

All Application Monies will be held by the Company on trust in a separate account until the Offer Shares are issued to successful Applicants.

Application Monies will be refunded in Australian dollars to the extent that an Application is rejected or scaled back, or the Offer is withdrawn. No interest will be paid on refunded amounts. The Company will retain any interest earned on Application Monies.

7.17. Allotment

Subject to the Company’s admission to the Official List, the allotment of the Shares offered by this Prospectus will take place as soon as possible following the Offer Closing Date.

If the Directors believe the Application does not comply with applicable laws or regulations, they reserve the right to allot the Shares in full for any Application or to allot any lesser number or to reject any Application.

The Allotment Date is expected to be 29 August 2018.

Trading of the Offer Shares on ASX is expected to commence on 11 September 2018 on a normal T + 2 settlement basis.

If you sell your Offer Shares before receiving an initial holding statement, you do so at your own risk, even if you have obtained details of your holding from your Broker or the Offer Information Line on 1800 990 479 (within Australia) between 8.30am and 5.30pm AEST.

7.18. Valid application forms

An Application Form may only be distributed with, attached to or accompany a complete and unaltered copy of this Prospectus. An Application Form is an irrevocable acceptance of the Offer.

By completing and lodging an Application Form received with this Prospectus, you as the Applicant represent and warrant that you have personally received a complete and unaltered copy of this Prospectus prior to completing the Application Form.
The Company will not accept a completed Application Form if we have reason to believe you as the Applicant have not received a complete copy of the Prospectus or we have reason to believe that the Application Form has been altered or tampered with in any way.

If an Application Form is not completed correctly, or if the accompanying payment of the Application Money is for the wrong amount, the Company may still treat it as a valid Application. The Directors’ decision whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the sum of the cheque for the Application Money.

7.19. ASX listing

No later than seven days after the Prospectus Date, the Company will apply to ASX for admission to the Official List and for its Shares to be granted official quotation by ASX. The Company is not currently seeking a listing of its Shares on any financial market other than ASX.

Completion of the Offer is conditional on the ASX approving this application.

If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practical in accordance with the requirements of the Corporations Act.

The fact that ASX may admit the Company to the Official List and grant official quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Offer Shares offered for subscription under the Offer. ASX takes no responsibility for the contents of this Prospectus.

The Company has reserved the ASX code “HLA”. If the Company is admitted to the Official List, normal settlement trading in the Shares will commence as soon as practicable after the issue of holding statements to successful Applicants.

It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive confirmation of their allotment will do so at their own risk.

If ASX does not grant permission for the Shares to be quoted within three months after the Prospectus Date, the Shares will not be issued, and all Application Monies will be refunded (without interest) as soon as practicable.

7.20. ASX clearing house electronic sub-register system

The Company will apply to participate in CHESS, in accordance with the ASX Listing Rules and the ASX Settlement Rules. CHESS is an automated transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form.

When the Shares become CHESS approved securities, holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register. A CHESS participant, or a person sponsored by a CHESS participant, will have their Shares registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Applicants will be sent an initial holding statement following allotment that details the number of Shares that have been issued to them under the Offer. This holding statement will also provide details HIN or, where applicable, the SRN of issuer sponsored holders. Shareholders will need to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the Share Registry.

7.21. Foreign selling restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The Company has not taken any action to register or qualify the Prospectus or otherwise to permit a public offering of the Offer Shares in any jurisdiction outside of Australia.

The distribution of this Prospectus in jurisdictions outside Australia (including electronically) may be restricted by law.
Persons who come into possession of this Prospectus who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

By making an Application, you warrant and represent that:

- you are an Australian citizen or resident, are located in Australia at the time of the Application and are not acting for the account or benefit of any person in the United States or any other foreign person; and
- you will not offer or sell the Offer Shares in the United States or in any other jurisdiction outside Australia or to a United States person, except in transactions exempt from registration under the US Securities Act, and in compliance with all applicable laws in the jurisdiction.

7.22. Discretion under the Offer

The Company reserves the right not to proceed with the Offer at any time before the Allotment Date. If the Offer does not proceed, Application Monies received by the Company will be refunded in full (without interest). The Company takes no responsibility for Application Monies paid to the Underwriter or Brokers until these are received by the Company.

The Company reserves the right to decline any Applications in whole or in part without giving any reason. An Application may be accepted by the Company in respect of the full number of Offer Shares specified in the Application or any of them without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

The Company reserves the right to close any of the Offers early, extend the Offer Closing Date for any Offer or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Any change to any Offer Closing Date (including if closed early or extended) will have a consequential effect on the date for the issue of the Shares under that Offer.

7.23. Tax implications of investing in the Company

The taxation consequences of any investment in the Shares will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company.

7.24. Further information

The Prospectus (including the Application Form) and information about the Offer can be accessed in electronic form at www.healthia.com.au/download-applicationform.

If you have queries about investing under the Offer, you should contact your stockbroker, financial adviser, accountant or other professional adviser.

If you have queries about how to apply under the Offer or would like additional copies of this Prospectus, please call the Offer Information Line on 1800 990 479 (within Australia) between 8.30am and 5.30pm AEST.

If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.

7.25. Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the Constitution and the terms and conditions of the Offer
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full
- declared that all details and statements in their Application Form are complete and accurate
- declared that the Applicant(s), if a natural person, is/are over 18 years of age
acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn
applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form
agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way
described in this Prospectus) or no Shares at all
authorised the Company, the Underwriter and their respective officers or agents, to do anything on behalf of the
Applicant(s) necessary for Offer Shares to be allocated to the Applicant(s), including to act on instructions received by
the Share Registry upon using the contact details in the Application Form
acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends
paid may not be franked
acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is
not financial product advice or a recommendation that Offer Shares are suitable for Applicant(s), given the investment
objectives, financial situation and particular needs (including financial and taxation issues) of the Applicant(s)
declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer)
acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the
circumstances described in this Prospectus, and
acknowledged and agreed that if Listing does not occur for any reason, the Broker Firm Offer and Institutional
Offer will not proceed.
Each Applicant, will be taken to have represented, warranted and agreed as follows:
it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities
laws of any state of the United States and may not be offered, sold or resold, pledged, transferred in the United States,
except in accordance with the US Securities Act regulation requirements or in a transaction exempt from, or not
subject to, registration under the US Securities Act and any other applicable state securities laws
it is not in the United States
it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in
the United States, and
it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions
exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable
laws in the jurisdiction in which Shares are offered and sold.
8. Material agreements

8.1. Underwriting Agreement

The Underwriter has agreed to manage and underwrite the Underwritten Offer pursuant to the terms of the underwriting agreement signed by the Underwriter and the Company on the date of this Prospectus (Underwriting Agreement).

The Underwriter has no obligation to underwrite, lead manage or bookrun the Clinician Participation Offer.

8.1.1. Fees, costs and expenses

The Company has agreed to pay the Underwriter:

- an underwriting fee of 3.5% of the gross proceeds of the Underwritten Offer (exclusive of GST); and
- a management and capital raising fee of 1% of the gross proceeds of the Underwritten Offer (exclusive of GST)

in connection with its role as Underwriter (Underwriting Fee).

The Company may elect to pay (at its discretion), a discretionary incentive fee of 0.5% of the gross proceeds of the Underwritten Offer (exclusive of GST) to the Underwriter (Incentive Fee). If the Company chooses to pay the Incentive Fee to the Underwriter, the Underwriter may elect to receive it in cash or as Shares (issued at the Issue Price).

The Company has agreed to reimburse the Underwriter for all reasonable out-of-pocket expenses including legal fees up to a limit of $25,000 (including GST), bookbuild expenses, and travel costs incurred in connection with the Underwritten Offer (provided that any individual expense over $1,000 (excluding GST) has been approved by the Company prior to the expense being incurred by the Underwriter (other than in respect of legal fees), agreed document production costs and costs relating to the listing, allocation, offer outside Australia and issue of the Shares under those offers (including DvP or other settlement arrangements) and any applicable taxes.

8.1.2. Indemnity

The Company had agreed to keep the Underwriter and its related companies and affiliates, and their respective officers, employees, partners, contractors, agents, representatives and advisers indemnified from losses suffered in connection with the Offer, subject to customary exclusions (including fraud, wilful misconduct, recklessness and gross negligence).

8.1.3. Warranties and undertakings

The Underwriting Agreement contains certain representations, warranties and undertakings provided by the Company to the Underwriter relating to matters such as its powers, its conduct (including in respect of disclosure and compliance with applicable laws and the ASX Listing Rules), information provided and the conduct of the Underwritten Offer, certain matters relating to the Group and its financial information, business and assets.

The Company’s undertakings include that it will not, during the period following the date of the Underwriting Agreement until 90 days after Completion of the Underwritten Offer, issue or agree to issue any equity securities or securities of any Group member that are convertible or exchangeable into equity without the consent of the Underwriter, other than pursuant to the Underwritten Offer, the Underwriting Agreement, the Acquisition Agreements or as contemplated under the Prospectus, or under any employee share plan, non-underwritten dividend reinvestment plan or bonus plan, or dispose of a Group company’s business or property in whole or substantial part, or vary any material contract, except with the prior written consent of the Underwriter (not to be unreasonably withheld or delayed).

8.1.4. Termination events

The Underwriting Agreement is subject to customary termination events. The Underwriter may terminate the Underwriting Agreement at any time prior to 10.00am on the Offer Settlement Date (or as otherwise
specified) without cost or liability and be released from their obligations under it on the occurrence of any of the following events:

a. **(Disclosures in Prospectus)** in the reasonable opinion of the Underwriter a statement in the Prospectus or certain other documents relating to the Underwritten Offer is misleading or deceptive or likely to mislead or deceive, or there is an omission from them of material required to be included in it;

b. **(Supplementary Prospectus)** the Company:
   i. issues or, in the reasonable opinion of the Underwriter is required to issue, a supplementary prospectus because of the operation of section 719(1) of the Corporations Act; or
   ii. lodges a supplementary prospectus with ASIC in a form and substance that has not been approved by the Underwriter;

c. **(Market Fall)** at any time the S&P/ASX 300 falls to a level that is 90% or less of the level as at the close of trading on the date of the Underwriting Agreement and closes at or below that 90% level on:
   i. at least 2 consecutive Business Days prior to the Offer Settlement Date; or
   ii. the Business Day immediately prior to the Offer Settlement Date;

d. **(Restriction Agreements)** any of the restriction agreements with Escrowed Shareholders that are entered into at any time before 9.30am on the Offer Settlement Date are withdrawn, terminated, rescinded, materially altered, varied, or amended, breached or failed to be complied with;

e. **(Fraud)** the Company or any of its directors or officers engage, or have been alleged by a governmental authority to have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;

f. **(Listing and Quotation)** approval is refused or not granted, or approval is granted subject to conditions other than customary conditions (in the reasonable opinion of the Underwriter), to:
   i. the Company’s admission to the official list of ASX on or before the Shortfall Notification Date (as defined in the Underwriting Agreement); or
   ii. the quotation of the Shares on ASX or for the Shares to be traded through CHESS on or before the Quotation Date (as defined in the Underwriting Agreement), or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions in the reasonable opinion of the Underwriter) or withheld;

g. **(Notifications)** any of the following notifications are made in respect of the Offer:
   i. ASIC issues an order (including an interim order) under section 739 of the Corporations Act and any such inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 3 Business Days of the Offer Settlement Date it has not been withdrawn by the Business Day before the Offer Settlement Date;
   ii. ASIC holds a hearing under section 739(2) of the Corporations Act;
   iii. an application is made by ASIC for an order under Part 9.5 in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Underwritten Offer or such documents, and any such application, inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 3 Business Days of the Offer Settlement Date it has not been withdrawn by the Business Day before the Offer Settlement Date; or
   iv. any person who has previously consented to the inclusion of its name in the Prospectus (other than the Underwriter) withdraws that consent; or
   v. any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus (other than the Underwriter);

h. **(Certificate)** the Company does not provide a closing certificate as and when required under the Underwriting Agreement;

i. **(Withdrawal)** the Company withdraws the Prospectus or the Offer;
j. **(timetable)** an event specified in the Timetable up to and including the Offer Settlement Date is delayed by more than 2 Business Days (other than with the consent of the Underwriter (which must not be unreasonably withheld or delayed if the delay is for not more than 5 Business Days) or as required by ASX or ASIC). However, the Company may allot Shares under the Clinician Participation Offer at any time on or after the Underwritten Offer Allotment Date;

k. **(unable to issue Offer Shares)** the Company is prevented from issuing the Shares under the Underwritten Offer, by applicable laws, an order of a court of competent jurisdiction or a governmental authority, within the time required by the Listing Rules and the Corporations Act;

l. **(force majeure)** there is an event or occurrence, including any statute, order, rule, regulation, directive or request of any governmental agency which makes it illegal for the Underwriter to satisfy a material obligation of the Underwriting Agreement, or to market, promote or settle the Underwriting Offer;

m. **(change to Company)** the Company:
   i. alters the issued capital of the Company or a member of the Group; or
   ii. disposes or attempts to dispose of a substantial part of the business or property of the Group, other than under the Acquisition Agreements, without the prior written approval of the Underwriter (not to be unreasonably withheld or delayed);

n. **(constitution)** the Company varies any term of its constitution without the prior written consent of the Underwriter (not to be unreasonably withheld or delayed);

o. **(insolvency events)** any member of the Group becomes insolvent, or there is an act or omission which is likely to result in a member of the Group becoming insolvent;

p. **(regulatory approvals)** if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement, such that the Company is rendered unable to perform those obligations;

q. **(change in management)** a change in the chief executive officer of the Company is advised, or there is a change in the board of directors of the Company without the prior written consent of the Underwriter;

r. **(vacancy in office)** the chief executive officer of the Company, or a director, vacates his or her office (or announces an intention to do so) without the prior written consent of the Underwriter; or

s. **(prosecution)** any of the following occurs:
   i. a director or proposed director of the Company is charged with an indictable offence; or
   ii. any director of the Company is disqualified from managing a corporation.

8.1.5. **Termination events subject to materiality**

The Underwriter may terminate the Underwriting Agreement at any time prior to 10.00am on the Offer Settlement Date (or as otherwise specified) without cost or liability and be released from its obligations under it on the occurrence of any of the following events only if it has reasonable grounds to believe, and does believe, that the event has or is likely to have a materially adverse effect on the success, settlement, outcome or marketing of the Underwritten Offer, or the ability of the Underwriter to market, promote or settle the Underwritten Offer, or the willingness of investors to subscribe for shares under the Underwritten Offer, or will, or is likely to, give rise to a liability of the Underwriter or its affiliates under, or a contravention by the Underwriter or its affiliates of, any applicable law:

a. **(compliance with law)** the Prospectus or certain other documents relating to the Underwritten Offer or any aspect of the Underwritten Offer does not comply with the Corporations Act, the Listing Rules, or any other applicable law or regulation;

b. **(disclosures in Public Information)** a statement in any of the public or media statements made by or on behalf of the Company is or becomes misleading or deceptive or is likely to mislead or deceive;

c. **(disclosures in the Due Diligence Report)** the Due Diligence Report is, or becomes, false, misleading or deceptive, including by way of omission;
d. **(information supplied)** any information supplied by or on behalf of a Group member to the Underwriter in connection with the Underwritten Offer is, or is found to be, misleading or deceptive or likely to mislead or deceive (including by omission);

e. **(legal proceedings)** any of the following occurs:

i. the commencement of legal proceedings against any member of the Group or against any director of any of them in that capacity; or

ii. any regulatory body commences any inquiry against any member of the Group;

f. **(adverse change)** an event occurs which is, or is likely to give rise to:

i. an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group from those disclosed in the Prospectus lodged with ASIC on the Lodgement Date (as defined in the Underwriting Agreement); or

ii. an adverse change in the nature of the business conducted by the Group as disclosed in the Prospectus lodged with ASIC on the Lodgement Date;

g. **(forecasts)** there are not, or there ceases to be, reasonable grounds in the opinion of the Underwriter (acting reasonably) for any statement or estimate in the Prospectus or certain other documents relating to the Underwritten Offer which relate to a future matter or any statement or estimate in them which relate to a future matter is, in the opinion of the Underwriter (acting reasonably), unlikely to be met in the projected timeframe (including in each case financial forecasts);

h. **(misleading certificate)** a statement in the closing certificate is false, misleading, inaccurate or untrue or incorrect;

i. **(breach of laws)** there is a contravention by any entity in the Group of the Corporations Act, the Competition and Consumer Act 2010 (Cth), the ASIC Act, its constitution, the Listing Rules or any other applicable law;

j. **(representations and warranties)** a representation or warranty contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed;

k. **(breach)** the Company defaults on one or more of its undertakings or obligations under the Underwriting Agreement;

l. **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or the Reserve Bank of Australia or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);

m. **(hostilities)** in respect of any one or more of Australia, New Zealand, the United States, the United Kingdom, Hong Kong, the Peoples’ Republic of China, Singapore or any member state of the European Union:

i. hostilities not presently existing commence;

ii. a major escalation in existing hostilities occurs (whether war is declared or not);

iii. a declaration is made of a national emergency or war;

iv. a major terrorist act is perpetrated; or

n. **(disruption in financial markets)** any of the following occurs:

i. a general moratorium on commercial banking activities in Australia, New Zealand, the United States, the United Kingdom, Hong Kong, the Peoples’ Republic of China, Singapore or any member state of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or

ii. any adverse effect on the financial markets in Australia, New Zealand, the United Kingdom, the United States, Hong Kong, the Peoples’ Republic of China, Singapore or any member state of the
European Union, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or

iii. trading in all securities quoted or listed on ASX, New Zealand Stock Exchange, the London Stock Exchange, the New York Stock Exchange or the Hong Kong Stock Exchange is suspended for at least 1 day on which that exchange is open for trading;

o. (Material Contracts) if any of the obligations of the relevant parties under any of the contracts disclosed in sections 8.2 to 8.4, inclusive of the Prospectus are not capable of being performed in accordance with their terms (in the opinion of the Underwriter acting reasonably) or if all or any part of any of those contracts:
  i. is terminated, withdrawn, rescinded, avoided or repudiated;
  ii. is materially altered, amended or varied without the consent of the Underwriter;
  iii. is materially breached, or there is a material failure by a party to comply,
  iv. ceases to have effect, otherwise than in accordance with its terms, or
  v. is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and affect, or its performance is or becomes illegal.

8.1.6. Conditional obligation to underwrite

The Underwriter’s obligation to underwrite the Underwritten Offer is conditional on satisfaction or waiver (by the Underwriter) of certain conditions precedent. Certain of the conditions precedent are standard in agreements of this nature and certain other conditions precedent are specific to the Underwritten Offer and the Underwriting Agreement, including the following:

a. (Planned Finance Facility) the Company:
  i. having entered into a binding finance facility agreement in respect of the Planned Finance Facility on or before 5.00pm on the date on which the Company must notify the Underwriter of any shortfall under the Underwritten Offer, and
  ii. confirming in writing to the Underwriter on that date that the Company is satisfied (acting reasonably) that there are no conditions to first drawdown under the Planned Finance Facility that are unable or reasonably unlikely to be met, as at 5.00pm on that date, other than conditions relating to settlement of the Underwritten Offer and quotation of the Shares issued under those offers and other conditions substantially in the control of the Company;

b. (Clinician Participation Offer) the Clinician Participation Offer not having been terminated, ceased or withdrawn by the Company prior to the Offer Settlement Date;

c. (acquisitions) as at 9.30am on the Offer Settlement Date:
  i. the Company confirming in writing to the Underwriter that:
    A. Acquisition Agreements for companies or businesses which would in aggregate, if completed, satisfy any condition imposed by ASX in its decision to admit the Company to the Official List relating to the acquisition of businesses by the Group are in full force and have not been terminated; and
    B. the Company is satisfied on reasonable grounds that those Acquisition Agreements will complete after completion of the Underwritten Offer; and
  ii. the Underwriter confirming in writing to the Company that the Underwriter (acting reasonably) is satisfied on reasonable grounds that Acquisition Agreements representing at least 95% of the aggregate FY2019 pro forma EBITDA attributable to the Acquisition Agreements (as calculated from the financial information in the Prospectus) either have completed or will complete after Completion of the Underwritten Offer.
8.1.7. Other matters

It is important to note that the Underwriter will be acting for and providing services to the Company in respect of the Underwritten Offer and will not be acting for or providing services to Shareholders or any other investor. The engagement of the Underwriter is not intended to create any agency, fiduciary or other relationship between the Underwriter and the Company, the Shareholders or any other investor.

8.2. Finance Facilities

8.2.1. Description of finance facilities

Healthia has accepted short form credit approved term sheets (Finance Term Sheets) from Australia and New Zealand Banking Group Limited and the Bank of Queensland Limited (Financiers) for the provision of the following key financing facilities (collectively the Planned Finance Facility):

<table>
<thead>
<tr>
<th>Financiers</th>
<th>Facility Purpose</th>
<th>Facility Limit as at Completion of the Offer</th>
<th>Drawn Amount as at the Listing Date</th>
<th>Term / Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia and New Zealand Banking Group Limited</td>
<td>To refinance existing debt of the MFDA Group and assist with acquisitions of podiatry and physiotherapy clinics</td>
<td>23,000,000</td>
<td>7,500,000</td>
<td>36 months</td>
</tr>
<tr>
<td>Australia and New Zealand Banking Group Limited</td>
<td>Working Capital facility</td>
<td>1,000,000</td>
<td>-</td>
<td>Subject to annual review</td>
</tr>
<tr>
<td>Bank of Queensland Limited</td>
<td>To refinance existing debt of the MFDA Group and assist with acquisitions of allied health clinics</td>
<td>14,000,000</td>
<td>7,500,000</td>
<td>36 months</td>
</tr>
<tr>
<td>Bank of Queensland Limited</td>
<td>Bank guarantee facility</td>
<td>3,000,000</td>
<td>2,010,000</td>
<td>Subject to annual review</td>
</tr>
</tbody>
</table>

The Finance Term Sheets indicate that provision of the Planned Finance Facility is subject to several conditions, including the Company and Guarantors (as refer to in section 8.2.4) entering into a binding finance facility agreement and security documentation with the Financiers on terms and conditions satisfactory to the Financiers and satisfaction of required conditions precedent. The Planned Finance Facility must be finalised and in place prior to the close of the Offer. If this has not occurred prior to the targeted Offer Closing Date, the Company may extend that date. If the Company forms the view that the conditions cannot be satisfied, the Offer will be withdrawn and all Application Monies will be returned.

It is expected that all conditions will be satisfied by the targeted Offer Closing Date.

The Group also holds a number of equipment finance facilities which are not included in Table 4.11 above.

8.2.2. Use of Planned Finance Facility

The Planned Finance Facility will consist of three separate facility components as follows:

1. Acquisition Facilities – to be made available to refinance existing debt of the MFDA Group and future acquisitions of physiotherapy, podiatry and allied health clinics;
2. The Working Capital Facility – to be made available to meet the general working capital needs of the Group (but cannot be used to fund future acquisitions); and
3. Bank Guarantee Facility – for bank guarantees to meet the obligations under the various property leases of the Group.

8.2.3. Financial covenants, other representations, undertakings, events of default and review events under the finance facilities

It is expected that the representations, warranties and undertakings applying to the Planned Finance Facility will be customary for facilities of this nature.
Key financial covenants specified in the Finance Term Sheet, which are to apply to the Planned Finance Facility, are:

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

Healthia expects to comply with its obligations under the Finance Term Sheet and its finance facilities at all times. Failure to meet these obligations, 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 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. An event of default or review event and the requirement to make early repayments and/or the termination of the facility may impact on the financial performance and position of Healthia and its ability to operate in the ordinary course of business.

8.2.4. Security

The Finance Term Sheet requires each of the Company, PHL, My FootDr (Aust) Limited and HTPL and other subsidiaries (the Guarantors) to provide interlocking guarantees and indemnities in favour of the Financiers in respect of the Planned Finance Facility.

Healthia and the Guarantors will also grant various security interests over their present and after-acquired property as security for the Planned Finance Facility.

8.2.5. Contingent liabilities

The Group has given bank guarantees as at 31 December 2017, from the existing MFDA debt facility, totally $0.548 million to various landlords. After the Offer Closing Date and completion of the Acquisitions it is anticipated that the bank guarantees drawn under the Planned Finance Facility will equal $2.01 million.

8.3. Acquisition Agreements

Overview

The Group has entered into agreements to acquire a number of physiotherapy, podiatry and upper limb clinics located across Australia as follows:

- PHL has entered into agreements to acquire:
  - 14 Allsports Physiotherapy Clinics, the Allsports management business and the Allsports intellectual property including the brand, and
  - the Physiotherapy Clinic Acquisitions, being the 5 other physiotherapy businesses which operate 8 physiotherapy Clinics and a Pilates Clinic in Queensland.

- MFDA has entered into agreements to acquire:
  - the Podiatry Clinic Acquisitions, being 12 podiatry Clinics in Queensland and 4 podiatry Clinics in Victoria
  - the remaining 50% interest in my FootDr (Cleveland) Pty Ltd to take its interest to 100%, and
  - a further 25% interest in D.B.S. Medical to take its interest to 75% of the shares in D.B.S. Medical.

- HTPL has entered into an agreement to acquire the Extend Rehabilitation Clinics.

In the majority of Acquisitions, PHL, MFDA or HTPL, as relevant has agreed to acquire the business and assets of the Clinic under a business sale agreement. However, a small number of the Allsports Physiotherapy Acquisitions will occur by PHL acquiring the share capital of the company that operates the relevant Clinic.
The net cash payable and equity issued by the Group in connection with the Acquisitions is expected to be approximately $31.84 million, payable as follows:

1. $17.6 million in cash,
2. $7.5 million by the issue of Shares under the Clinician Participation Offer,
3. $4.9 million by the issue of Clinic Class Shares, and
4. $1.8 million of the consideration is deferred and will only become payable on the Clinics reaching agreed earnings thresholds. The group has included $1.2 million of this deferred consideration in the Pro Forma Historical Consolidated Statement of Financial Position as at 31 December 2017 (see Section 4.11) reflecting an indicative assessment of the fair value of the deferred consideration expected to be payable by the Group for the Acquisitions.

The net amount payable by Healthia is proposed to be funded through proceeds of the Offer. Further information about the Clinic Class Shares is provided in Section 3.8.2.

The terms of each Acquisition Agreement provide for certain adjustments to the relevant purchase price, such as a reduction on account of certain accrued entitlements of employees that transfer to the Group.

The Acquisitions are occurring on a debt-free and cash-free basis, meaning the Group does not assume any existing debt or acquire any cash of the Clinics on completion of the Acquisitions.

Preparations for completion of the Acquisitions is well progressed and Healthia’s current expectation is that it will complete all the Acquisitions following the Offer Closing Date and prior to the Listing Date. The ASX requires completion of a threshold level of acquisitions prior to Listing and the Company has also agreed with the Underwriter that it must be satisfied with progress towards completing Acquisitions representing at least 95% of the aggregate FY19 pro-forma EBITDA attributable to the Acquisition Agreements as a condition to underwriting. The Allsports Physiotherapy Acquisitions are conditional upon one another. Notwithstanding this, as completion of the Acquisitions is subject to a number of conditions being satisfied or waived, it is possible there could be a delay in completion of the Acquisitions or that some Acquisitions do not complete at all. The Directors are confident that, should this occur, the Company would complete those Acquisitions following Listing or alternatively, enter into and complete new Acquisitions shortly thereafter.

In the event that any of the Acquisitions are delayed or do not complete, this may adversely impact on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information.

The Acquisitions are subject to customary conditions to completion, including the release of security interests, transfer of key employees, assignment of key contracts including leases and no material adverse changes.

If any of these conditions are not satisfied or waived before the end date under the relevant Acquisition Agreement (generally 31 December 2018), either party may terminate that Acquisition Agreement.

The sellers have given warranties and indemnities in respect of the Clinic (and the underlying assets and liabilities) (Seller Warranties) which are typical for agreements of this nature. The period under which claims for breaches of a Seller Warranty can be made is generally 12 months or longer. The aggregate liability for breach of the Seller Warranties under each Acquisition Agreement is generally at least 50% of the total purchase price for the Acquisition.

The sellers have agreed to comply with (and to procure certain key practitioners comply with) non-solicit and non-compete restraint of trade obligations which will, in effect, generally last for a period of at least four years after completion of the relevant Acquisition Agreement, within an agreed locality.

64. The cash consideration payable under the Acquisitions is $18.3 million and it is a condition of the Acquisition Agreements that $0.7 million is applied as subscription monies for Clinic Class Shares by Clinicians
65. $0.7 million of the $4.9 million of Clinic Class Shares is being issued to Clinicians as a condition of the Acquisition Agreement in consideration for the payment by them to the Group in $0.7 million in cash
66. The Company must acquire at least 75% of the Allsports Physiotherapy Acquisitions based on the total revenue and EBITDA that is subject to audit or review by BDO Audit as relevant
**Variance from standard terms**

While the terms of the Acquisition Agreements are generally consistent, the Group has negotiated and agreed certain amendments on a case by case basis.

Where PHL has agreed to acquire the share capital of the company that operates a Clinic (rather than the business and assets), the commercial terms of these Acquisitions are generally consistent with the other Acquisition Agreements, however there are a number of changes reflective of the different acquisition structure.

The following amendments apply to a number of Acquisition Agreements:

- additional limitations to the relevant buyer’s ability to make a claim under the warranties (for example, where a matter has been disclosed to the Buyer in due diligence or if a minimum threshold to make a claim has not been met)
- to prevent PHL from seeking damages following completion of an Acquisition Agreement if a material adverse change occurred to the seller prior to completion (except a breach of certain title and capacity warranties or a breach which was caused by an act or omission or the vendor or certain key affiliates) and PHL chose to proceed to completion in any event, and
- additional conditions to completion have been inserted for certain Acquisitions as required to address structuring points and implement the commercial agreement, for example where a new lease needs to be put in place prior to completion or an existing lease needs to be amended.

The Acquisition Agreement for my FootDr (Cleveland) Pty Ltd has been amended to reflect the fact that MFDA already holds 50%, and this acquisition is of the remaining 50%. These amendments include:

- there are no adjustments to the purchase price; and
- there is no tax indemnity by the sellers and the warranties are limited to title, solvency and capacity, reflecting MFDA’s familiarity with the company and its business.

The Acquisition Agreement for D.B.S. Medical has been amended to reflect the fact that MFDA already holds 50%, and this acquisition is of an additional 25%. These amendments include:

- there are no adjustments to the purchase price, and existing indebtedness of the company will be repaid within 60 days after completion; and
- there is no tax indemnity by the sellers and the warranties are limited to title, solvency and capacity, reflecting MFDA’s familiarity with the company and its business.

### 8.4. Healthia Acquisition of MFDA

Healthia entered into an agreement to acquire all of the ordinary shares in MFDA on or around 30 July 2018. The agreement for the acquisition was on similar terms to the Acquisition Agreements. The agreement did not provide for any adjustment to the purchase price and provided for each existing holder of MFDA ordinary shares to receive a number of Healthia Shares for each MFDA ordinary share sold (or, at their election, any combination of cash and Healthia Shares). The payment of the elected cash component (which totalled $2.5 million) is conditional on, and deferred until, the Offer Closing Date. In addition, the sellers of the MFDA ordinary shares are entitled to receive their share (pro rata to the MFDA ordinary shares sold) of a cash earn-out equal to $2.5 million if the podiatry Operating Segment EBITDA for FY19 is greater than $11 million.

### 8.5. Clinic Management Deeds

Under the Clinic Management Deeds:

- PHL is engaged by the holders of its Clinic Class Shares to provide clinic management services to physiotherapists at physiotherapy Clinics
- MFDA is engaged by the holders of certain Clinic Class Shares in MFDA to provide clinic management services to podiatrists at podiatry Clinics, and
• HTPL is engaged by the holders of its Clinic Class Shares to provide clinic management services to therapists at Extend Rehabilitation Clinics,

in exchange for an agreed fee, being a percentage of the revenue generated by the Clinic.

The services provided by each of PHL, MFDA and HTPL under the Clinic Management Deeds includes services and functions necessary for Clinicians to deliver patient services at the Clinics. In addition to providing and maintaining the premises and necessary equipment, PHL, MFDA and HTPL will provide various support services such as maintaining financial records and accounts, fee collection and billing, human resources support, education and training, information technology, patient management and marketing activities.

The holders of Clinic Class Shares and/or their related Clinicians are responsible for the day to day management of the Clinics and manner in which clinical services are provided at the Clinic.

Generally, PHL, MFDA or HTPL (as relevant), and the Clinic Class Shareholders or may only terminate the Clinic Management Deed if the holders of Clinic Class Shares and/or their related Clinicians are subject to an insolvency event but may claim damages in respect of any breach of the agreement by the other party.

Certain Clinic Management Agreements require the consent of existing holders of Clinic Class Shares for the following:

• a transfer of Clinic Class Shares approved by the relevant board (such consent not to be unreasonably withheld), and
• an issue of Clinic Class Shares in relation to the Clinic (such consent not to be unreasonably withheld).

Certain Clinic Management Agreements provide that if a new Clinic is opened within a certain radius of a Clinic (or certain suburbs), the holders of those Clinic Class Shares have a first right of refusal to acquire Clinic Class Shares in the new Clinic.
The Directors
Healthia Limited
‘East Tower’ Level 4,
25 Montpelier Road,
Bowen Hills, QLD 4006
31 July 2018

Dear Directors,

INDEPENDENT LIMITED ASSURANCE ENGAGEMENT ON FORECAST FINANCIAL INFORMATION

Introduction

BDO Corporate Finance (QLD) Ltd (‘BDO Corporate Finance’) has been engaged by Healthia Limited (‘Healthia’) to report on the statutory forecast financial information and pro forma forecast financial information (‘the Forecast Financial Information’) for inclusion in the Prospectus dated on or about 31 July 2018 and relating to the issue of 34.3 million shares in Healthia (‘the Prospectus’).

Expressions and terms defined in the Prospectus have the same meaning in this report (‘this Report’).

The nature of this Report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the Corporations Act 2001. BDO Corporate Finance holds the appropriate Australian Financial Services Licence under the Corporations Act 2001.

BDO applies Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We also comply with ASA 102 Compliance with Ethical Requirements When Performing Audits, Reviews and Other Assurance Engagement.

Our limited assurance engagement has been carried out in accordance with auditing or other standards and practices generally accepted within Australia. This Report cannot be assumed to have been compiled with practices or standards applicable in other jurisdictions.

This Report, including the Financial Services Guide which follows, must be read in full.

Scope

You have requested that BDO Corporate Finance review the following Forecast Financial Information of Healthia (being the party responsible for the Forecast Financial Information) included in the Prospectus:

- Summarised statutory forecast consolidated statement of profit or loss for the financial years ending 30 June 2018 and 30 June 2019;
- Summarised pro forma forecast consolidated statement of profit or loss for the financial years ending 30 June 2018 and 30 June 2019;
- Summarised statutory forecast consolidated cash flow information for the financial years ending 30 June 2018 and 30 June 2019; and
- Summarised pro forma forecast consolidated cash flow information for the financial years ending 30 June 2018 and 30 June 2019.

The Forecast Financial Information has been prepared in accordance with the stated basis of preparation (‘the Stated Basis of Preparation’), being:

BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725 AFS Licence No. 245513 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 Corporate Finance (QLD) 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 (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.
• The recognition and measurement principles contained in Australian Accounting Standards and the company’s adopted accounting policies as set out in Section 4.16 of the Prospectus;
• The directors’ best-estimate assumptions underlying the Forecast Financial Information as set out in Section 4.13 of the Prospectus; and
• The pro forma forecast financial information can be reconciled to the statutory forecast financial information having regard to pro forma adjustments set out in Section 4.2.6 of the Prospectus.

The Forecast Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

As the unadjusted financial information on which the pro forma forecast financial information is based (i.e. the statutory forecast financial information) is forward looking, an audit of the unadjusted financial information was not performed.

The pro forma forecast financial information is pro forma information only and does not represent Healthia’s prospective financial performance for the financial years ending 30 June 2018 and 30 June 2019. Care should be taken when considering and interpreting the pro forma forecast financial information as this information does not forecast financial results which are actually expected to occur in the form presented.

Statutory Forecast and Pro Forma Forecast
The Forecast Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of Healthia for the financial years ending 30 June 2018 and 30 June 2019.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The directors’ best-estimate assumptions on which the Forecast Financial Information is based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Healthia.

Evidence may be available to support the directors’ best-estimate assumptions on which the Forecast Financial Information is based, however, such evidence is generally future-oriented and speculative in nature. We are not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly we provide a lesser level of assurance on the reasonableness of the directors’ best-estimate assumptions.

The limited assurance conclusion expressed in this Report has been formed on the above basis.

Risks, Uncertainties and Sensitivity Analysis
Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Healthia, as detailed in the Prospectus. Prospective investors should also be aware of the inherent uncertainty relating to the Forecast Financial Information. Prospective investors should have regard to the investment risks as described in Section 5 of the Prospectus.

The sensitivity analysis described in Section 4.14 of the Prospectus assists to demonstrate the impact of changes in a number of selected best-estimate assumptions which are considered key to the Forecast Financial Information. The Forecast Financial Information is only indicative of the financial performance which may be achievable.

We express no opinion as to whether the Forecast Financial Information will be achieved.

Directors’ Responsibility
The directors of Healthia are responsible for:
• Preparation and presentation of the Forecast Financial Information;
• The Stated Basis of Preparation and criteria applied to the Forecast Financial Information;
• The time periods covered by the Forecast Financial Information;
• Best-estimate assumptions underlying the Forecast Financial Information;
Selection and determination of pro forma adjustments made to the Forecast Financial Information; and
Any other information in the Prospectus.

This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of the Forecast Financial Information to be free from material misstatement, whether due to fraud or error.

The Forecast Financial Information has been prepared by the directors for the purpose of being included in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report, or on the Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed and relied on representations from certain members of management and the board of Healthia that all material information concerning the prospects and proposed operations of Healthia has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention that the Forecast Financial Information (including the best-estimate assumptions underlying the forecast and pro forma forecast, and the reasonableness of the forecast and pro forma forecast themselves), based on the procedures performed and the evidence we have obtained, has not been properly complied in all material respects by Healthia, in accordance with the Stated Basis of Preparation.

We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements Involving Corporate Fundraisings and/or Prospective Financial Information, issued by the Auditing and Assurance Standards Board.

The procedures selected depend on our professional judgement, having regard to our understanding of the nature of Healthia, the event(s) or transaction(s) in respect of which the Forecast Financial Information has been compiled, the limited assurance to be expressed on the compilation of the Forecast Financial Information and other relevant engagement circumstances.

Our limited assurance procedures consisted of making enquiries (primarily of persons responsible for financial and accounting matters), observation of processes performed, inspection of documents and analytical procedures, evaluating the appropriateness of supporting documentation and agreeing or reconciling with underlying records and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Forecast Financial Information.

Conclusions

Based on our limited assurance engagement, which is not a reasonable assurance engagement or audit, nothing has come to our attention which causes us to believe that:

The directors’ best-estimate assumptions used in the preparation of the Forecast Financial Information of Healthia for the financial years ending 30 June 2018 and 30 June 2019 do not provide reasonable grounds for the Forecast Financial Information;

In all material respects, the Forecast Financial Information:

- is not prepared on the basis of the directors’ best-estimate assumptions as described in Section 4.13 of the Prospectus; and
- is not presented fairly in accordance with the Stated Basis of Preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity’s adopted accounting policies; and
- The Forecast Financial Information itself is unreasonable.
Restriction on Use
Without modifying our conclusions, we draw attention to Section 4.1 of the Prospectus, which describes the purpose of the Forecast Financial Information, being for inclusion in the Prospectus. The Forecast Financial Information may not be suitable for use for another purpose. We disclaim any liability for use of this Report, or reliance on the Forecast Financial Information by any other persons or for any other purpose than that set out in Section 4.1 of the Prospectus.

Consent
We have consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Liability
The liability of BDO Corporate Finance is limited to the inclusion of this Report in the Prospectus. BDO Corporate Finance makes no representation regarding, and has no liability for, any other statements, material in (or omissions from) the Prospectus.

Declaration of Interest
BDO Corporate Finance does not have any interest in the outcome of this offer other than the preparation of this Report and participation in the due diligence committee as a member for which normal professional fees will be received.

Financial Services Guide and General Advice Warning
Our Financial Services Guide follows this report and must be read in full with this Report. This guide is designed to assist retail clients in their use of any general financial product advice in this Report.

As set out in the financial services guide, this Report provides general information only. It does not take into account the objectives, financial situation or needs of any specific investor. Potential investors in Healthia should seek their own professional advice. The information in this Report cannot be used to make specific investment decisions. Before acting on any information, investors should consider the appropriateness of the information for their own circumstances having regard to matters such as their objectives, financial situation and needs.

BDO Corporate Finance (QLD) Pty Ltd

Steven Sorbello
Director
FINANCIAL SERVICES GUIDE

The Financial Services Guide (‘FSG’) is provided to comply with the legal requirements imposed by the Corporations Act 2001 (‘the Corporations Act’) and includes important information regarding the general financial product advice contained in this report (‘this Report’). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd (‘BDO Corporate Finance’ or ‘we’, ‘us’ or ‘our’), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO Corporate Finance holds an Australian Financial Services Licence to provide the following services:

(a) financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and

(b) arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently any person using this Report must consider their own objectives, financial situation and needs. Any person using this Report should consider obtaining professional advice to assist in this assessment.

The Assignment

BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 has been engaged by Healthia Limited (‘Healthia’) to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDO Corporate Finance has been engaged to provide an Independent Limited Assurance Report (‘IAR’) in connection with the forecast financial information for the proposed initial public offering of shares in Healthia on the Australian Securities Exchange (‘the Proposed Transaction’) for inclusion in the Prospectus.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately $230,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Proposed Transaction.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDO Corporate Finance may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDO Corporate Finance. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDO Corporate Finance) are entitled to receive a salary. Where a director of BDO Corporate Finance is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDO Corporate Finance or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services.

BDO entities have provided, and continue to provide, a range of audit, tax and advisory services to Healthia for which professional fees are received. The services provided were performed as an independent and objective party.

BDO Corporate Finance is not an associate of Healthia. The signatories to the Report do not hold any shares in Healthia and no such shares have ever been held by the signatories.
Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with the Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investments Commission (ASIC) also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Contact Details

BDO Corporate Finance (QLD) Ltd

<table>
<thead>
<tr>
<th>Location Address:</th>
<th>Postal Address:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 10</td>
<td>GPO Box 457</td>
</tr>
<tr>
<td>12 Creek Street</td>
<td>BRISBANE QLD 4001</td>
</tr>
</tbody>
</table>

Phone: (07) 3237 5999

Email: cf.brisbane@bdo.com.au

Fax: (07) 3221 9227
The Directors
Healthia Limited
'East Tower' Level 4,
25 Montpelier Road,
Bowen Hills, QLD 4006
31 July 2018

Dear Directors,

INDEPENDENT LIMITED ASSURANCE ENGAGEMENT ON HISTORICAL FINANCIAL INFORMATION

Introduction
BDO Audit Pty Ltd ('BDO Audit') has been engaged by Healthia Limited ('Healthia') to report on the statutory historical financial information and pro forma historical financial information ('the Historical Financial Information') for inclusion in the Prospectus dated on or about 31 July 2018 and relating to the issue of 34.3 million shares in Healthia ('the Prospectus').
Expressions and terms defined in the document have the same meaning in this report ('this Report').

Scope
Statutory Historical Financial Information
Following the combination of Healthia and My FootDr (Aust) Ltd ('MFDA'), detailed in Section 4 of the Prospectus, Healthia expects to apply the continuation method of accounting in future financial statements. As a result, the statutory historical financial information included in Section 4 and Section 13 of the Prospectus is that of MFDA.
You have requested BDO Audit to review the following Statutory Historical Financial Information of Healthia, as described above, (being the party responsible for the Historical Financial Information) included in Appendix 1 of the Prospectus:
- The summarised statutory historical consolidated statement of profit or loss for the financial years ended 30 June 2016 (FY16) and 30 June 2017 (FY17) and the six-month periods ended 31 December 2016 (H1 FY17) and 31 December 2017 (H1 FY18);
- The summarised statutory historical consolidated cash flow information for FY16, FY17, H1 FY17 and H1 FY18; and
- The statutory historical consolidated statement of financial position as at 31 December 2017 hereafter collectively referred to as the ‘Statutory Historical Financial Information’.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Healthia’s adopted accounting policies.
The Statutory Historical Financial Information has been extracted from the consolidated financial reports of MFDA for FY16, FY17 and H1 FY18 which were audited or reviewed by BDO Audit in accordance with Australian Auditing Standards.

BDO Audit issued a qualified audit opinion, together with an emphasis of matter in relation to going concern for both the FY16 and FY17 financial statements, and a qualified review conclusion, together with an emphasis of matter in relation to going concern, on the H1 FY18 financial statements.
The qualified audit opinions and qualified review conclusion related to non-attendance of the physical inventory counts.
The Statutory Historical Financial Information is presented in the public document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Historical Financial Information
You have requested BDO Audit to review the following Pro Forma Historical Financial Information of Healthia (being the party responsible for the Historical Financial Information) included in Section 4 of the Prospectus:

- The summarised pro forma historical consolidated statement of profit or loss for the financial years ended 30 June 2016 (FY16) and 30 June 2017 (FY17) and the six-month periods ended 31 December 2016 (H1 FY17) and 31 December 2017 (H1 FY18);
- The summarised pro forma historical consolidated cash flow information for FY16, FY17, H1 FY17 and H1 FY18; and
- The pro forma historical consolidated statement of financial position as at 31 December 2017 hereafter collectively referred to as the ‘Pro Forma Historical Financial Information’.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Healthia, after adjusting for the effects of pro forma adjustments described in Section 4.2.5 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and Healthia’s adopted accounting policies, applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 4.2.5 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company’s actual or prospective financial position, financial performance, and/or cash flows.

Directors’ Responsibility
The directors of Healthia are responsible for the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Statutory Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility
Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements Involving Corporate Fundraisings and/or Prospective Financial Information.

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

Conclusions
Statutory Historical Financial Information
Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information, as described in Section 4 and Section 13 of the Prospectus, and comprising:

- The summarised statutory historical consolidated statement of profit or loss for the financial years ended 30 June 2016 (FY16) and 30 June 2017 (FY17) and the six-month periods ended 31 December 2016 (H1 FY17) and 31 December 2017 (H1 FY18);
- The summarised statutory historical consolidated cash flow information for FY16, FY17, H1 FY17 and H1 FY18; and
- The statutory historical consolidated statement of financial position as at 31 December 2017
are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2 of the Prospectus.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in Section 4 of the Prospectus, and comprising:

- The summarised pro forma historical consolidated statement of profit or loss for the financial years ended 30 June 2016 (FY16) and 30 June 2017 (FY17) and the six-month periods ended 31 December 2016 (H1 FY17) and 31 December 2017 (H1 FY18);
- The summarised pro forma historical consolidated cash flow information for FY16, FY17, H1 FY17 and H1 FY18; and
- The pro forma historical consolidated statement of financial position as at 31 December 2017

are not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

Restriction on Use

Without modifying our conclusions, we draw attention to Section 4.1 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Consent

BDO Audit has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

Liability

The liability of BDO Audit is limited to the inclusion of this Report in the Prospectus. BDO Audit makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

General Advice Warning

The report has been prepared, and included the document to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on information contained in this Report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Independence or Disclosure of Interest

BDO Audit does not have any interest in the outcome of proposed listing, or any other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. BDO Audit will receive normal professional fees for the preparation of this Report.

BDO Audit are auditors of Healthia and MFDA and from time to time BDO Audit also provides Healthia and MFDA with certain other professional services for which normal professional fees are received.

BDO Audit Pty Ltd

C K Henry

Director
10. Taxation
10. Taxation

10.1. Summary of Australian Taxation Implications

The following summary in Sections 10.1 to 10.5 provides an overview of the Australian tax implications of the Offer for investors who are residents of Australia for tax purposes and who hold their Shares as capital assets. This summary is based on the law in effect as at the Prospectus Date, is general in nature and should not be relied on by potential investors as tax advice. Potential investors should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers.

This Section does not consider the Australian tax consequences for particular types of investors, including those:

- whose Shares are held as trading stock or otherwise on revenue account, or
- that may be subject to special tax rules, such as insurance companies, banks, partnerships, tax exempt organizations, trusts (except where expressly stated), superannuation funds (except where expressly stated), or temporary residents, or
- who are tax resident of any jurisdiction other than Australia (except where expressly stated), or

10.2. Australian Income tax implications of future share disposals

10.2.1. Australian Resident Shareholders

Shareholders who dispose of Shares held on capital account will trigger a CGT event. Australian resident Shareholders will:

- make a capital gain if the capital proceeds received on the disposal of their Shares are greater than the cost base of those Shares, or
- make a capital loss if the capital proceeds received on the disposal of their Shares are less than the reduced cost base of those Shares.

The capital proceeds received on disposal of Shares should generally be equal to the money received in respect of the disposal.

The cost base of Shares subscribed for under the Offer should generally be equal to the Issue Price plus any incidental costs (i.e. brokerage). The reduced cost base should be the same as the cost base, subject to some modifications.

Any capital gain on disposal of the Shares in the Company may qualify as a discount capital gain for certain Australian resident Shareholders that are individuals, trusts or complying superannuation funds that have held their Shares for more than 12 months. Where the CGT discount applies, the amount of the capital gain may be discounted by 50% for individuals and trusts and 33 1/3% for complying superannuation funds and life insurance companies in respect of certain investments. Where the Shareholder is a trust to which the CGT discount applies, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders which are trusts should seek specific advice as to the circumstances in which a beneficiary may be entitled to discount capital gains treatment.

Prior to applying the CGT discount Shareholders may offset their capital gain against any available capital losses incurred in the relevant income year or any carry forward net capital losses. The net capital gain (after applying any losses and the CGT discount) should be included in their assessable income in the relevant income year.

To the extent Shareholders incur a capital loss on disposal of their Shares, Shareholders may offset their capital loss against any capital gains derived in the relevant income year. Where the capital losses incurred...
in the relevant income year exceed the capital gains derived in the relevant income year, Shareholders may be entitled to carry forward the excess (referred to as a ‘net capital loss’) to future income years subject to the application of the loss recoupment rules in certain cases. Shareholders cannot offset their net capital losses against their ordinary income.

10.2.2. Non-Resident Shareholders
Non-Australian resident Shareholders who hold Shares on capital account will not be subject to Australian CGT on the disposal of Shares unless:

- the non-resident, together with associates, has a holding of at least 10% of all the issued Shares of the Company (non-portfolio interest), and
- at the time of disposal, more than 50 percent of the market value of the assets of the Company is represented (directly or indirectly) by real property interests in Australia (including leases of land) or certain mining, quarrying and prospecting rights in Australia.

Non-Australian resident and temporary resident Shareholders are not entitled to discount capital gains in respect of the disposal of Shares that were acquired by the Shareholder after 8 May 2012.

Relevant double taxation agreements may affect the Australian capital gains tax rules for non-resident Shareholders on the disposal of Shares.

Non-resident Shareholders who have a non-portfolio interest together with their associates in the circumstances described above should seek specific Australian tax advice. Non-resident Shareholders that have previously been Australian residents should also seek specific Australian tax advice. Specifically with regard to the application of the Foreign Resident Capital Gains Withholding ("FRCGW") which may impose a 12.5% withholding tax in certain instances, where a non-Australian resident has a non-portfolio interest in an entity with real property interests in Australia.

10.3. Australian Income tax implications of Payment of Dividends

10.3.1. Australian Resident Shareholders
Dividends will be required to be included in an Australian resident Shareholder’s assessable income in the income year in which the dividend is received. To the extent that franking credits are attached to the dividend, Australian resident Shareholders should also include the franking credits in their assessable income. Where Shareholders include franking credits in their assessable income, Shareholders should be entitled to a corresponding tax offset against their tax payable for the relevant income year.

In order for Shareholders to qualify for franking credits and the corresponding tax offset, Shareholders must satisfy the ‘holding period’ rules which require Shareholders to hold their Shares ‘at risk’ for a period of not less than 45 days, not counting the day of acquisition or disposal. The ‘holding period’ rules do not apply to Shareholders who are individuals who are entitled to tax offsets (for all franked distributions received by the particular Shareholder in the relevant income year) of not greater than $5,000 for the relevant income year.

Where the holding period rule is satisfied:

- Shareholders that are individuals or complying superannuation funds should be entitled to a tax offset equal to the amount of the franking credits attached to a dividend. Where these Shareholders have franking credits in excess of their income tax liability they may be entitled to a refund equal to the excess.
- Shareholders that are companies should be entitled to a tax offset equal to the amount of the franking credits attached to a dividend.

Accordingly, these Shareholders should not pay any additional tax on the dividend to the extent that it is franked. Any excess tax offset may be able to be converted to a carry forward tax loss. A credit should arise in the franking account of these Shareholders equal to the amount of the franking credits attached to the dividend.

Where Shares are held by Australian resident trusts or partnerships, and the dividend is passed through to Australian resident beneficiaries or partners, the benefit of the franking credit attached to the dividend may...
also pass through to those Australian resident beneficiaries or partners. The income tax treatment of the dividends including any franking credits in the hands of those beneficiaries or partners should depend upon the tax status of the beneficiaries or partners.

10.3.2. Non-Resident Shareholders

Subject to the operation of a double taxation agreement, unfranked dividends paid by the Company to non-resident Shareholders will generally be subject to withholding tax at the rate of 30 per cent. A lower rate of withholding tax, within a range of 0% to 20% will generally apply where the Shareholder is a resident of country with which Australia has a double taxation agreement. We note there is a reduced withholding tax rate for New Zealand resident shareholders of 5% if the beneficial owner of the shares is a Company with a non-portfolio interest, otherwise the withholding tax rate will be 15% in accordance with the Australia and New Zealand Double Taxation Agreement effective at the date of this Prospectus.

Fully franked dividends paid to non-resident Shareholders will generally not be subject to withholding tax.

10.4. Australian Income Tax Implications of Returns of capital

If a return of capital is made by the Company, to the extent it is not treated as a dividend for income tax purposes, the cost base and reduced cost base of a Shareholder’s Shares for CGT purposes should be reduced by the amount of the return of capital, with any excess over the cost base resulting in a capital gain.

It is noted that non-Australian resident will only be subject to tax in Australia on this capital gain in the circumstances set out in 10.2.2 above.

10.5. Other Australian tax implications

10.5.1. Goods and Services Tax

No GST is payable in respect of the acquisition of Shares nor should there be any GST liability arising from the receipt of dividends in respect of the Shares. An Australian resident that is registered or required to be registered for GST seeking to claim input tax credits on related transaction costs should seek their own independent tax advice in this regard.

10.5.2. Stamp Duty

No Australian stamp duty should be payable in respect of the subscription for the Offer Shares under this Prospectus.

This is on the basis the Company and its subsidiaries do not amount to landholders for the purposes of any Australian duties legislation.

10.5.3. Tax File Number (TFN) Withholding Tax

Shareholders are not required to quote their TFN to the Company. If Shareholders do not quote their TFN or other relevant exemption details, tax may be required to be withheld by the Company from certain distributions at the top marginal rate plus the Medicare levy.
11. Additional information
### 11. Additional information

#### 11.1. Registration

The Company was registered in Queensland on 10 May 2018 as a public company limited by shares.

#### 11.2. Corporate structure

Section 3.2 contains as summary of the corporate structure of the Company. The table 11.1 shows the interests in subsidiaries of the Group:

**Table 11.1: Interests in Subsidiaries**

<table>
<thead>
<tr>
<th>Name of subsidiary</th>
<th>At the time of the Offer</th>
<th>On completion of the Acquisitions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ordinary share</td>
<td>Economic interest</td>
</tr>
<tr>
<td>My FootDr (Aust) Ltd</td>
<td>100.0%</td>
<td>96.6%</td>
</tr>
<tr>
<td>Physiotherapy Group Holdings Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>A.C.N. 146 471 678 Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>My FootDr (Camp Hill) Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>My FootDr Granda Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>My FootDr (Indooroopilly) Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>My FootDr (Mackay) Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>My FootDr (Newmarket) Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>My FootDr (Oxenford) Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>My FootDr (Redcliffe) Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>My FootDr (Shailer Park) Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>MyFootDr Administration Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Orthema Australasia Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Footwear Enterprises Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>PinPointe FootLaser Australia Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>MFD IP Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Mackay Foot Centre Pty Ltd as trustee for the Mackay Foot Centre Unit Trust</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>iOrthotics Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Balpod Holdings Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Trepar Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Brisbane Podiatry &amp; Footwear Pty Ltd as trustee for Brisbane Podiatry &amp; Footwear Unit Trust</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Foot Focus (Aust) Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Foot Focus (NSW) Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Foot Focus 4 Kids Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Foot Focus Narellan Pty Ltd</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>My FootDr (Cleveland) Pty Ltd</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
<tr>
<td>D.B.S. Australia Pty Ltd</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
<tr>
<td>Foot Care Solutions Australia Pty Ltd</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
<tr>
<td>Allied Health Consortium Pty Ltd</td>
<td>16.67%</td>
<td>16.67%</td>
</tr>
</tbody>
</table>
11.3. Capital structure

The capital structure of the Company, as at the Prospectus Date and on Completion of the Offer is set out in the table below.

<table>
<thead>
<tr>
<th>Shares</th>
<th>Shares held on the Prospectus Date</th>
<th>Shares held on Completion of the Offer</th>
<th>Percentage held on Completion of the Offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Shares</td>
<td>28.6 million shares</td>
<td>28.6 million shares</td>
<td>45.4%</td>
</tr>
<tr>
<td>Shares issued under the Clinician Participation Offer</td>
<td>Nil</td>
<td>7.5 million shares</td>
<td>12.0%</td>
</tr>
<tr>
<td>Shares issued under the Underwritten Offer</td>
<td>Nil</td>
<td>26.8 million shares</td>
<td>42.6%</td>
</tr>
<tr>
<td>Total</td>
<td>28.6 million shares</td>
<td>63.0 million shares</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

11.4. Rights attaching to the Shares

Detailed provisions relating to the rights attaching to the Shares are set out in the Constitution and the Corporations Act. A copy of the Constitution can be inspected during office hours at the registered office of the Company and Shareholders have the right to obtain a copy of the Constitution, free of charge.

The following is a summary of the principal rights of Shareholders. It is not intended to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders which can involve complex questions of law arising from the interaction of the Company’s Constitution with statutory and common law requirements. If you wish to seek a definitive assessment of the rights and liabilities that attached to your Shares in any specific circumstance, you should seek your own advice.

<table>
<thead>
<tr>
<th>Right</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully paid</td>
<td>On issue, the Shares will be fully paid.</td>
</tr>
<tr>
<td>Ranking</td>
<td>On issue, the Shares will rank pari passu with other Shares currently on issue.</td>
</tr>
<tr>
<td>Issue</td>
<td>The power to issue Shares and other securities in the Company lies with the Board, subject to the restrictions contained in the Constitution, ASX Listing Rules and the Corporations Act.</td>
</tr>
<tr>
<td>Meetings</td>
<td>Each holder of Shares has the right to receive notice of and to attend general meetings of the Company and to receive all financial statements, notices and documents required to be sent to them under the Constitution and the Corporations Act.</td>
</tr>
<tr>
<td>Dividends</td>
<td>Dividends are payable upon the determination of the Directors, who may fix the amount, time for payment and method of payment of dividends.</td>
</tr>
<tr>
<td>Voting rights</td>
<td>Every Shareholder present in person or by proxy, representative or attorney at a meeting of Shareholders has one vote on a show of hands and one vote for every Share held on a poll. A poll may be demanded at a meeting in the manner permitted by the Corporations Act.</td>
</tr>
<tr>
<td>Rights on winding up</td>
<td>All Shares rank equally in the event of a winding up, subject to any amount remaining unpaid on the Shares. Once all of our liabilities are met, the liquidator may, with the sanction of a special resolution of Shareholders, divide among the Shareholders all of any of the Company’s assets and, if applicable, for that purpose determine how the liquidator will carry out the division between the different classes of members.</td>
</tr>
<tr>
<td>Transfer / transmission</td>
<td>Subject to the Corporations Act and the ASX Listing Rules, the Shares are fully transferable.</td>
</tr>
<tr>
<td>Variation of rights</td>
<td>The rights attaching to Shares may be varied or cancelled with the approval of Shareholders in general meeting by special resolution.</td>
</tr>
</tbody>
</table>
11.5. Directors Relevant Interests and benefits

11.5.1. Directors’ and Senior Management’s Relevant Interest in Securities
Directors are not required to hold Shares. The Relevant Interest of each Director and the Senior Management team in Securities (whether held directly or through entities they control) at the Prospectus Date and following Completion of the Offer is set out in Section 1.6. All Shares held by the Board and Senior Management (that are either held personally or through controlled entities) at the Prospectus Date will be subject to the escrow arrangements described in Section 11.7.

11.5.2. Remuneration

Non-Executive Director remuneration
Under the Constitution, the Board may decide the total amount paid to each Director as remuneration for their services as a Director of the Company. However, under the Constitution, the total amount paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company’s general meeting.

This amount has been fixed by the Company at $500,000 per annum.

Annual Directors’ fees currently agreed to be paid by the Company to its non-executive Directors are:

- $65,000 (inclusive of statutory superannuation entitlements) to Glen Richards, Non-Executive Director and Chairman;
- $45,000 (inclusive of statutory superannuation entitlements) to Paul Wilson, Independent Non-Executive Director;
- $45,000 (inclusive of statutory superannuation entitlements) to Lisa Dalton, Independent Non-Executive Director.

Remuneration for Executive Directors and Senior Management
The Company has entered into executive employment agreements with Darren Stewart and Tony Ganter.

Darren Stewart – Chief Executive Officer Podiatry
Darren Stewart is employed in the position of Chief Executive Officer Podiatry of the Group. Darren’s total remuneration package includes an annual fixed salary of $180,000 exclusive of statutory superannuation entitlements, together with a short-term performance based incentive allowing him to earn up to 75% of his annual fixed salary. Darren is entitled to standard statutory leave entitlements.

Darren or the Company may terminate his employment agreement by giving 6 months’ notice. The Company may also terminate Darren’s employment immediately and without notice in certain circumstances, including for committing a serious or persistent breach of his employment agreement or serious misconduct.

The employment agreement includes a restraint of up to one year after termination of the agreement, during which Darren is restrained from competing with the Group or soliciting (or interfering with the Group’s relationship with) any patients, customers, clients or suppliers of the Group.

Anthony (Tony) Ganter - Chief Executive Officer Physiotherapy
Tony Ganter is employed in the position of Chief Executive Officer Physiotherapy of the Group. Tony’s total remuneration package includes an annual fixed salary of $180,000 exclusive of statutory superannuation entitlements, together with a short term performance based incentive allowing him to earn up to 75% of his annual fixed salary. Tony is entitled to standard statutory leave entitlements.

Tony or the Company may terminate his employment agreement by giving 6 months’ notice. The Company may elect to make payment in lieu of notice. The Company may also terminate Tony’s employment immediately and without notice in certain circumstances, including for committing a serious or persistent breach of his employment agreement or serious misconduct.
immediately and without notice in certain circumstances, including for committing a serious or persistent breach of his employment agreement or serious misconduct.

The employment agreement includes a restraint of up to one year after termination of the agreement, during which Tony is restrained from competing with the Group or soliciting (or interfering with the Group’s relationship with) any patients, customers, clients or suppliers of the Group.

**Senior Management**

The Company’s Senior Management are engaged under employment or consultancy agreements which provide for an annual fixed remuneration and short term performance based incentives.

Generally, these arrangements are terminable by the Company or the senior manager on 6 months’ notice.

The Board intends to issue the executive Directors (subject to Shareholder approval) and Senior Management team with performance-based incentives under one of the plans summarised in Section 11.6 following Listing.

**11.5.3. Transactions with related parties**

Related parties of Darren Stewart, Greg Dower, Glen Evangelista, Dean Hartley, Tony Ganter and Lisa Roach will continue to own several properties which are leased by the Company. The Board considers that each of these arrangements are on arm’s length, commercial terms and are subject to the usual risks associated with other leases entered by the Company.

Darren Stewart and Greg Dower have a controlling interest in one podiatry clinic in Singapore which has been granted a non-exclusive license to use the My FootDr brand for a nominal fee. The license agreement is cancellable by the Group with 30 days’ notice and doesn’t affect the rights of the Group and its use of the My FootDr brand in the jurisdictions which the Group expects to operate.

Glen Richards, Paul Wilson, Darren Stewart, Greg Dower, Glen Evangelista, Dean Hartley, Wesley Coote and Christopher Banks, together with the other Existing Shareholders, are entitled to receive a performance based cash earn-out of $2.5 million relating to the pre-listing restructure of the Group pursuant to which Healthia acquired MFDA. The Directors and Senior Management teams portion is $1.9 million. The earn-out is payable in H1 FY20 only if the podiatry Operating Segment EBITDA of the Group in FY19 is greater than $11.0 million (before corporate overheads). The performance criteria of the earn out is broadly in line with the performance required by the podiatry segment to meet its contribution to the statutory forecast of the Group for FY19. See Section 8.3 for further details.

Tony Ganter and Lisa Roach are associated with vendors under certain of the Acquisition Agreements who will receive Shares and cash in consideration for the sale.

Tony Ganter and Lisa Roach or their Associates will be paid a sale commission by the sellers under the Allsports Acquisition Agreements of $0.8 million.

Except as described above, there are no other arrangements between the Company and its Directors, or other related parties.

**11.5.4. Indemnification of Directors and officers**

The Company has entered into deeds of access, insurance and indemnity with each Director which confirm each Director’s right of access to certain books and records of the Group for a period of seven years after the Director ceases to hold office. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the law, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. These liabilities include losses or liabilities incurred by the Director to any other person as an officer of the Company, including legal expenses. The Company has also agreed to maintain in favour of each officer a directors’ and officers’ policy of insurance for the period that they are officers and for seven years after they cease to act as officers.
11.6. Employee incentive schemes

11.6.1. Loan Share Plan

Healthia has put in place a framework for inviting key employees to acquire Shares in the Company via the Company’s Employee Incentive (Loan Share) Plan (Loan Share Plan) as a means of encouraging key existing employees to shares in the ownership of the Company and promotes its long-term success as a common goal following Listing.

The Company will provide the participants under the Loan Share Plan with a non-recourse, interest free loan to fund the acquisition of their Shares under the plan.

The Shares issued under the Loan Share Plan will be subject to disposal restrictions (which restrict the participants from dealing in or creating security over their Shares) and will be liable to be bought back or transferred by the Company unless and until certain performance hurdles, including continued employment, are met and all amounts outstanding under the relevant participant’s loan are repaid.

If the performance hurdles are met, or certain special circumstances (for example the death of a participant or a change of control of the Company) occur, the loan can be repaid in cash or as otherwise agreed between the Company and the relevant participant. Otherwise the loan will only be repayable through the buy back or transfer of the participant’s Shares to the Company in full satisfaction of the amount outstanding under the loan (irrespective of whether the value of the Shares at that time exceeds the amounts outstanding under the loan).

An initial grant of Shares under the Loan Share Plan is expected to be made post Listing to executive Directors and Senior Management. The quantum and value of the expected grant of the Loan Share Plan is yet to be confirmed. These Shares will be subject to the Loan Share Plan rules and other regulatory requirements, including the ASX Listing Rules and approval by Shareholders where the granting of Shares are made to any Director of the Company.

The Loan Share Plan also contains customary and usual terms having regard to Australian law for dealing with administration, variation, suspension and termination of the plan.

The impact of any grant of Shares under the Loan Share Plan have not be included in this Prospectus.

11.6.2. Performance Rights Plan

The Company has also approved the terms of the Healthia Performance Rights Plan (Performance Rights Plan) as a means of encouraging employees to share in the ownership of the Company and promotes its long-term success as a common goal following Listing. The Board will make offers to selected eligible participants to participate in the Performance Rights Plan following listing based on their contribution to the Company. No offer of an award may be made to the extent it breaches the Constitution, the ASX Listing Rules, the Corporations Act or any other applicable law.

The Board will have the discretion to set the terms and conditions to which it will offer performance rights under the Performance Rights Plan including any vesting conditions. Vesting conditions may include conditions relating to continuous employment, financial performance of the participant or the Group, or the occurrence of specified events.

A participant is entitled to exercise an award on or after the exercise date defined in the offer, provided they have satisfied any vesting conditions. Upon exercise, the participant must pay the applicable exercise price.

Any Shares issued under, or in accordance with, the Performance Rights Plan will, upon allotment, rank equally with the existing issued Shares at that time.

Shares allocated to participants under the Performance Rights Plan may be issued by the Company or acquired on or off market by the Company or its nominees. As soon as practicable after the date of any allotment of Shares in conjunction with the plan, the Company will, unless the Board resolves otherwise, apply for official quotation of such Shares on the ASX.

The Performance Rights Plan also contains customary and usual terms having regard to Australian law for dealing with administration, variation, suspension and termination of the plan.
11.6.3. **Dilution**

If the number of Shares that may be issued under an employee incentive offer plus any underlying Shares issued or that may be issued under any offers made under either the Loan Share Plan or the Performance Rights Plan in the previous 3-year period in reliance on relief granted by ASIC exceeds 5% of the number of Shares issued at the time of the offer, the offer must not be made.

Under no circumstances will awards be granted under either plan if it is an issue of securities that, combined with all other employee share scheme interests outstanding, would exceed 15% of the Company’s then outstanding issued capital.

11.7. **Escrow arrangements**

The Directors, Senior Management and approximately 97% of the Shares held by the Existing Shareholders and those issued shares under the Acquisition Agreements (together **Escrowed Shareholders**) have or are expected to enter into restriction deeds with the Company in relation to the Shares held by them at Completion (together **Escrowed Securities**).

The restriction deeds restrict the Escrowed Shareholders from selling, creating a security interest in or otherwise dealing with their Shares for up to a 24-month period. The restriction deeds do not prevent the Escrowed Shareholders from accepting a successful takeover bid (being a bid that is accepted by at least half of the non-escrowed Shareholders or which is unconditional and recommended by a majority of the Directors), transferring Shares under a scheme of arrangement or any disposal due to a court order.

The Shares covered by the escrow arrangements will represent 56.0% of Shares on issue following Completion of the Offer. The ASX may also require, as a condition of Listing, that Shares are escrowed for a period of time.

11.8. **Interests of experts and advisers**

Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed director of the Company
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus
- promoter of the Company, or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer.

holds as at the Prospectus Date, or has held in the two years before the Prospectus Date, an interest in:

- the formation or promotion of the Company
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer, or
- the Offer

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed director to induce them to become, or qualify as, a Director.

Canaccord Genuity (Australia) Limited has acted as Underwriter of the Underwritten Offer. The Company has paid or agreed to pay an amount of $1.21 million (plus GST and disbursements) to the Underwriter in respect of these services on the basis that the gross proceeds of those Offers are $26.849 million.

BDO CFQ acted as the Investigating Accountant in relation to the Forecast Financial Information and provided the Independent Limited Assurance Report in Section 9. The Company has paid or agreed to pay an amount of approximately $230,000 (plus GST and disbursements) in respect of these and other services provided. BDO CFQ may also be paid additional amounts in accordance with its standard hourly rates.
BDO Audit has acted as the auditor to the Company and acted as the Investigating Accountant in relation to the Historical Financial Information and provided the Independent Limited Assurance Report in Section 9. The Company has paid or agreed to pay an amount of approximately $425,000 (plus GST and disbursements) in respect of these services, including prior year audit and reviews. BDO Audit may also be paid additional amounts in accordance with its standard hourly rates.

Clayton Utz has acted as Australian legal adviser to the Company in connection with the Offer. The Company has paid or agreed to pay an amount of approximately $180,000 (plus GST and disbursements) in respect of these services. Clayton Utz have also assisted the Company with several other legal services/ advice directly, and indirectly, related to the Offer and the Acquisition and as at the Prospectus Date the fees billed are approximately $578,000. Clayton Utz may also be paid additional amounts in accordance with its standard hourly rates.

11.9. Offer costs

The Company will pay all of the costs associated with the Offer, including Underwriting Fees, legal and Investigating Accountants’ fees, independent expert’s fees, printing and initial ASX listing fees. The total costs (net of deferred tax assets and recoverable GST) to be paid by the Company have been estimated at $2.37 million.

11.10. Consents

Each of the following parties has given and has not, before the Prospectus Date, withdrawn its written consent to being named in the Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent.

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described below.

**Underwriter**

Canaccord Genuity (Australia) Limited has consented to being named as Underwriter to the Underwritten Offer, but do not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by the Underwriter.

**Investigating Accountants**

BDO CFQ has consented to being named in the corporate directory of this Prospectus and to the inclusion of its Independent Limited Assurance Report, on Forecast Financial Information and Financial Services Guide in Section 9 in the form and context in which it appears.

**Auditor**

BDO Audit has consented to being named in the corporate directory of this Prospectus in its capacity as Auditor and Investigating Accountant for the Historical Financial Information of Healthia, and to the inclusion of its Independent Limited Assurance Report on Historical Financial Information in Section 9 in the form and context in which it appears.

**Legal Adviser**

Clayton Utz has consented to being named in the corporate directory of this Prospectus as Australian legal adviser, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Clayton Utz.

**Share Registry**

Link Market Services Limited (Link) has consented to being named in the corporate directory and elsewhere in this Prospectus as the Share Registry for the Company. Link has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry to the Company. Link has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

11.11. Regulatory Relief
The Company has also sought various in principle advice in respect of its application for Listing.

The Company has applied to ASIC for relief from section 606 of the Corporations Act to permit the acquisition by the Company of a relevant interest in more than 20% of the Shares by virtue of the escrow arrangements described in section 11.7, on certain conditions, as well as modification of section 671B to require the Company to make substantial holding disclosure of the relevant interest it would have acquired, but for relief, as a result of the escrow arrangements.

11.12. Legal proceedings and disputes

The Group has entered into earn-outs contingent on certain financial requirements being met by the seller. In one circumstance, where MFDA formed the view that the earn-out was not payable, the seller is alleging that the earn-out is payable. The amount in dispute is $100,000 and MFDA is working through dispute mechanisms under the relevant sale contract, however, continues to hold the view that the earn-out is not payable under terms of the contract.

So far as the Directors are aware, other than as described elsewhere in this Prospectus, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company.

11.13. Governing law

This Prospectus and the contracts that arise from the acceptance of Applications under the Offer are governed by the law applicable in Queensland, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Queensland, Australia.


Other than as set out in this Prospectus, the Directors report that after due enquiries by them there have not been any circumstances that have arisen that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed by a Director of the Company, under section 351 of the Corporations Act on behalf of the Company.

Signed for and on behalf of the Company by:

Dr Glen Richards
Chairperson
12. Glossary

In this Prospectus:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB</td>
<td>means the Australian Accounting Standards Board.</td>
</tr>
<tr>
<td>Acquisition Agreements</td>
<td>means the agreements pursuant to which Healthia Limited has agreed to acquire the businesses and companies, as detailed in Section 8.3.</td>
</tr>
<tr>
<td>Acquisition Facilities</td>
<td>has the meaning given to it in Section 4.11.4.</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>means the acquisition of the Clinics, under the terms of the Acquisition Agreements, as detailed in Section 8.3.</td>
</tr>
<tr>
<td>AEST</td>
<td>means Australian Eastern Standard Time.</td>
</tr>
<tr>
<td>AFSL</td>
<td>means Australian Financial Services Licence.</td>
</tr>
<tr>
<td>AHPRA</td>
<td>means the Australian Health Practitioner Regulation Agency.</td>
</tr>
</tbody>
</table>
| Allotment Date | means the date on which the Offer Shares are allotted and issued under the Offer, which:  
  a. for the Underwritten Offer, is 29 August 2018, and  
  b. for the Clinician Participation Offer is between 29 August 2018 and 5 September 2018 |
| Allsports Physiotherapy Acquisitions | means the proposed acquisition by the Group of the Allsports Physiotherapy Clinics, the Allsports management business and the Allsports intellectual property, including the brand. |
| Allsports Physiotherapy Clinics | means the 12 Allsports branded physiotherapy Clinics and the 2 Q Pilates branded physiotherapy Clinics. |
| Applicant | means a person who submits a valid Application and required Application Monies (if any) pursuant to this Prospectus. |
| Application | means an application for Offer Shares under this Prospectus. |
| Application Form | means the application form attached to or accompanying this Prospectus for investors to apply for Offer Shares under the Offer. |
| Application Monies | means money submitted by Applicants pursuant to their Application. |
| ASIC | means the Australian Securities and Investments Commission. |
| Associates | has the meaning given to that term in the Corporations Act. |
| ASX | means ASX Limited ABN 98 008 624 691 or the market it operates, as the context requires. |
| ASX Corporate Governance Principles | means the corporate governance principles and recommendations of the ASX Corporate Governance Council as at the Prospectus Date. |
| ASX Listing Rules | means the official Listing Rules of ASX as amended or waived from time to time. |
| Audited Physiotherapy Acquisitions | has the meaning given to it in Section 4.2.2 |
| Australian Accounting Standards | means the Australian Accounting Standards issued by the AASB. |
| B2B Businesses | means businesses which are not a Clinic, including iOrthotics and D.B.S. Medical. |
| Balance Podiatry Group | means the Balance Podiatry group of clinics acquired by MFDA on 1 December 2016. |
| BDO Audit | means BDO Audit Pty Ltd. |
| BDO CFQ | means BDO Corporate Finance (QLD) Ltd. |

70 The Group has entered into an agreement to acquire a further 25% of D.B.S. Medical on Listing. Completion of the acquisition is subject to a number of conditions being satisfied or waived.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>means the board of Directors of the Company.</td>
</tr>
<tr>
<td>Broker</td>
<td>means any ASX participating organisation selected by the Underwriter to participate in the Broker Firm Offer.</td>
</tr>
<tr>
<td>Broker Firm Offer</td>
<td>means the offer of Shares under this Prospectus to Brokers, or, following lodgement of this Prospectus, to Australian resident investors who are Retail Investors and who have received a firm allocation from their Broker.</td>
</tr>
<tr>
<td>Broker Firm Offer Application Form</td>
<td>the Application Form in respect of the Broker Firm Offer.</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>means Investment in property, plant and equipment.</td>
</tr>
<tr>
<td>CGT</td>
<td>means capital gains tax.</td>
</tr>
<tr>
<td>CGU</td>
<td>means cash generating units and the meaning given to it by the AASB.</td>
</tr>
<tr>
<td>Chairman’s List Offer</td>
<td>means the offer described in Section 7.12.</td>
</tr>
<tr>
<td>Chairman’s List Offer Application Form</td>
<td>The Application Form in respect of the Chairman’s List Offer.</td>
</tr>
<tr>
<td>Clinical Advisory Committee or CAC</td>
<td>means the Clinical Advisory Committee proposed to be established by the Group, as described in Section 3.4.2.1.</td>
</tr>
<tr>
<td>Clinic Class Shares</td>
<td>means the shares issuable by MFDA, PHL and HTPL under the Clinician Retention Program described in Section 3.8.2.</td>
</tr>
<tr>
<td>Clinician Participation Offer</td>
<td>means the offer being extended to Eligible Clinicians.</td>
</tr>
<tr>
<td>Clinician Participation Offer Applicants</td>
<td>means an Applicant under the Clinician Participation Offer.</td>
</tr>
<tr>
<td>Clinician Participation Offer Application Form</td>
<td>means the Application Form to be completed by Clinician Participation Offer Applicants in respect of the Clinician Participation Offer.</td>
</tr>
<tr>
<td>Clinician Retention Program</td>
<td>means the structured program designed to incentivise and retain Clinicians more fully described in Section 3.4.2.2.</td>
</tr>
<tr>
<td>Clinicians</td>
<td>means any professional staff of the Clinics, including podiatrists and physiotherapists.</td>
</tr>
<tr>
<td>Clinics</td>
<td>means any or all of the 102 clinics located in Queensland, New South Wales, Victoria, South Australia, Tasmania, Northern Territory and Western Australia either owned or proposed to be acquired by the Group.</td>
</tr>
<tr>
<td>Company or Healthia Limited</td>
<td>means Healthia Limited ACN 626 087 223.</td>
</tr>
<tr>
<td>Completion or Completion of the Offer</td>
<td>means the completion of the Offer, being the date upon which Offer Shares are issued to Successful Applicants in accordance with the terms of the Offer.</td>
</tr>
<tr>
<td>Constitution</td>
<td>means the constitution of the Company.</td>
</tr>
<tr>
<td>Corporations Act</td>
<td>means the Corporations Act 2001 (Cth).</td>
</tr>
<tr>
<td>CPI</td>
<td>means consumer price index.</td>
</tr>
<tr>
<td>D.B.S. Medical</td>
<td>means the allied health supplies business owned by D.B.S. Australia Pty Ltd in which the Group owns a 50% interest.</td>
</tr>
<tr>
<td>Directors</td>
<td>means the directors of the Company as at the Prospectus Date.</td>
</tr>
<tr>
<td>EBIT</td>
<td>means earnings before interest and tax.</td>
</tr>
<tr>
<td>EBITDA</td>
<td>means earnings before interest, tax, depreciation and amortisation.</td>
</tr>
<tr>
<td>Eligible Clinicians</td>
<td>means sellers (or their nominees approved by the relevant board) under the Acquisition Agreements who are determined by the Company to be eligible to participate in the Clinician Participation Offer.</td>
</tr>
</tbody>
</table>

71. The Group has entered into an agreement to acquire a further 25% of D.B.S. Medical on Listing. Completion of the acquisition is subject to a number of conditions being satisfied or waived.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrowed Securities</td>
<td>means the Shares of the Escrowed Shareholders that are subject to the escrow arrangements detailed in Section 11.7.</td>
</tr>
<tr>
<td>Escrowed Shareholders</td>
<td>means the Existing Shareholders and Eligible Clinicians who are issued Shares under the Clinician Participation Offer as detailed in Section 11.7.</td>
</tr>
<tr>
<td>Executive Director</td>
<td>means the executive Directors, which at the Prospectus Date are Darren Stewart and Tony Ganter.</td>
</tr>
<tr>
<td>Existing Shareholders</td>
<td>means the owners of Shares as at the Prospectus Date.</td>
</tr>
<tr>
<td>Existing Shareholder Sell-down</td>
<td>means the amount payable to existing shareholders of MFDA out of the Offer proceeds.</td>
</tr>
<tr>
<td>Exposure Period</td>
<td>means the seven-day period after the date of lodgement of this Prospectus with ASIC (as extended by ASIC (if applicable)).</td>
</tr>
<tr>
<td>Extend Rehabilitation Acquisitions</td>
<td>means the proposed acquisition by the Group of 7 Extend Rehabilitation branded hand therapy Clinics.</td>
</tr>
<tr>
<td>Extend Rehabilitation Clinics</td>
<td>means the physiotherapy and occupational therapy clinics owned by the Extend Rehabilitation partnership.</td>
</tr>
<tr>
<td>Finance Term Sheet</td>
<td>means the short form credit approved term sheets provided to the Company by the Financiers, as described in Section 8.2.</td>
</tr>
<tr>
<td>Financial Information</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>Financiers</td>
<td>means Australia and New Zealand Banking Group Limited and the Bank of Queensland Limited.</td>
</tr>
<tr>
<td>FMC Act</td>
<td>mean the Financial Markets Conduct Act 2013 of New Zealand.</td>
</tr>
<tr>
<td>Forecast Financial Information</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>FSMA</td>
<td>means the Financial Services and Markets Act 2000 of the United Kingdom.</td>
</tr>
<tr>
<td>FY17</td>
<td>means the financial year ended 30 June 2017.</td>
</tr>
<tr>
<td>FY18</td>
<td>means the financial year ended 30 June 2018.</td>
</tr>
<tr>
<td>FY19</td>
<td>means the financial year ending 30 June 2019.</td>
</tr>
<tr>
<td>FY20</td>
<td>means the financial year ending 30 June 2020.</td>
</tr>
<tr>
<td>Group</td>
<td>means the Company and its Subsidiaries.</td>
</tr>
<tr>
<td>GST</td>
<td>has the meaning given to that term in Section 195 – 1 of the A New Tax System (Goods and Services Tax) Act 1999 as amended.</td>
</tr>
<tr>
<td>Guarantors</td>
<td>has the meaning given in paragraph 8.2.4.</td>
</tr>
<tr>
<td>Historical Financial Information</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>HTPL</td>
<td>means A.C.N. 146 471 678 Pty Ltd.</td>
</tr>
<tr>
<td>H1 FY17</td>
<td>means the half year ended 31 December 2016.</td>
</tr>
<tr>
<td>H1 FY18</td>
<td>means the half year ended 31 December 2017.</td>
</tr>
<tr>
<td>H1 FY20</td>
<td>means the half year ending 31 December 2019.</td>
</tr>
<tr>
<td>H2 FY19</td>
<td>means the half year ending 30 June 2019.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Institutional Investors</td>
<td>means an Applicant to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Company is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (disregarding section 708AA).</td>
</tr>
<tr>
<td>Institutional Offer</td>
<td>means the invitation to bid for Shares made to Institutional Investors under this Prospectus to acquire Shares as described in Section 7.11.</td>
</tr>
<tr>
<td>Investigating Accountants</td>
<td>means BDO CFQ and BDO Audit.</td>
</tr>
<tr>
<td>Investigating Accountants’ Reports</td>
<td>means the Independent Limited Assurance Reports provided by the Investigating Accountants and included in Section 9.</td>
</tr>
<tr>
<td>iOrthotics</td>
<td>means the orthotics laboratory owned by the Group.</td>
</tr>
<tr>
<td>Issue Price</td>
<td>means the price per Offer Share (being $1.00 per Offer Shares).</td>
</tr>
<tr>
<td>Link Market Services</td>
<td>means Link Market Services Limited ABN 54 083 214 537.</td>
</tr>
<tr>
<td>Listing</td>
<td>means the admission of the Company to the Official List, quotation of the Shares on the ASX and commencement of unconditional trading of the Shares on ASX.</td>
</tr>
<tr>
<td>Listing Date</td>
<td>means the date of Listing.</td>
</tr>
<tr>
<td>Loan Share Plan</td>
<td>has the meaning given to it in Section 11.6.1.</td>
</tr>
<tr>
<td>Management Shareholders</td>
<td>means Shareholders who are Directors or Senior Management, or who hold Shares in which Directors or Senior Management have a relevant interest.</td>
</tr>
<tr>
<td>MFDA</td>
<td>means My FootDr (Aust) Ltd A.C.N. 608 550 607 and in Sections 4 and 9 and Appendix 1 includes its Subsidiaries, unless stated otherwise.</td>
</tr>
<tr>
<td>MFDA Group</td>
<td>means MFDA and its Subsidiaries.</td>
</tr>
<tr>
<td>My FootDr Business</td>
<td>means the businesses owned and operated by the MFDA Group.</td>
</tr>
<tr>
<td>My FootDr Podiatry Clinics</td>
<td>means the 56 podiatry Clinics owned by the Group.</td>
</tr>
<tr>
<td>NDIS</td>
<td>means the National Disability Insurance Scheme.</td>
</tr>
<tr>
<td>Net Debt</td>
<td>is calculated as the anticipated drawn amount under the Planned Finance Facility net of cash after completion of the Offer and completion of the Acquisitions.</td>
</tr>
<tr>
<td>New Shareholders</td>
<td>means persons acquiring Shares under the Offer (excluding any Existing Shareholders who acquire Shares under the Offer).</td>
</tr>
<tr>
<td>Non-Binding Heads of Agreements</td>
<td>means the 3 non-binding heads of agreements signed between the Group and other third parties for the acquisition of an additional 4 physiotherapy clinics in Queensland.</td>
</tr>
<tr>
<td>Non-Executive Directors</td>
<td>means the non-executive Directors, which at the Prospectus Date are Glen Richards, Paul Wilson and Lisa Dalton.</td>
</tr>
<tr>
<td>NPAT</td>
<td>means net profit after tax.</td>
</tr>
<tr>
<td>NPATA</td>
<td>means net profit after tax and before amortisation.</td>
</tr>
<tr>
<td>Offer</td>
<td>means the offer of 34.3 million Offer Shares under this Prospectus to raise $26.849 million, comprising the Clinician Participation Offer, the Broker Firm Offer, the Institutional Offer and the Chairman’s List Offer.</td>
</tr>
<tr>
<td>Offer Closing Date</td>
<td>means the date on which the Offer is expected to close, being 23 August 2018 (this date may be varied).</td>
</tr>
<tr>
<td>Offer Information Line</td>
<td>means 1800 990 479 (within Australia).</td>
</tr>
<tr>
<td>Offer Opening Date</td>
<td>means 8 August 2018.</td>
</tr>
<tr>
<td>Offer Period</td>
<td>means the period during which investors may subscribe for Offer Shares under the Offer which commences on the Offer Opening Date and ends on the Offer Closing Date.</td>
</tr>
<tr>
<td>Offer Settlement Date</td>
<td>means 28 August 2018.</td>
</tr>
<tr>
<td>Offer Shares</td>
<td>means the Shares to be issued under the Offer.</td>
</tr>
<tr>
<td>Official List</td>
<td>means the official list of the ASX.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Operating Segment</td>
<td>has the meaning given to it by the AASB.</td>
</tr>
<tr>
<td>Orthotics Laboratory</td>
<td>means iOrthotics Pty Ltd.</td>
</tr>
<tr>
<td>Other Acquisitions</td>
<td>means the Acquisitions which are not the Allsports Physiotherapy Acquisitions.</td>
</tr>
<tr>
<td>Patient Charter</td>
<td>means the patient charter adopted by Healthia.</td>
</tr>
<tr>
<td>PHL</td>
<td>means Physiotherapy Group Holdings Limited A.C.N. 161 205 983</td>
</tr>
<tr>
<td>Physiotherapy Clinic Acquisitions</td>
<td>means the proposed acquisition by the Group of 8 physiotherapy Clinics and a Pilates Clinic.</td>
</tr>
<tr>
<td>Physiotherapy Clinical Advisory Committee</td>
<td>has the meaning given to it in Section 6.4.1.</td>
</tr>
<tr>
<td>Planned Finance Facility</td>
<td>means the debt facilities contemplated by the Finance Term Sheets and, subject to documentation on terms and conditions satisfactory to the Financiers and satisfaction of required conditions precedent, subsequently made available to the Company by the Financiers, as described in Section 8.2.</td>
</tr>
<tr>
<td>Podiatry Clinic Acquisitions</td>
<td>means the proposed acquisition by the Group of 16 podiatry Clinics, including 11 Clinics co-branded inside the Allsports Physiotherapy Clinics.</td>
</tr>
<tr>
<td>Podiatry Clinical Advisory Clinic</td>
<td>has the meaning given to it in Section 6.4.1.</td>
</tr>
<tr>
<td>Pro Forma Forecast Consolidated Cash Flow Information</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>Pro Forma Forecast Financial Information</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>Pro Forma Forecast Consolidated Statement of Profit and Loss</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>Pro Forma Historical Consolidated Statement of Financial Position</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>Pro Forma Historical Cash Flow Information</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>Pro Forma Historical Financial Information</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>Pro Forma Historical Consolidated Statement of Profit and Loss</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>Prospectus</td>
<td>means this document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document.</td>
</tr>
<tr>
<td>Prospectus Date</td>
<td>means 31 July 2018.</td>
</tr>
<tr>
<td>Relevant Interest</td>
<td>has the meaning given in the Corporations Act.</td>
</tr>
<tr>
<td>Renovated Clinics</td>
<td>means those Clinics which have undergone significant renovation and described in Section 4.12.1.</td>
</tr>
</tbody>
</table>
| Retail Investor                                        | a person who at the Opening Date:  
(a) has a registered address in Australia; 
(b) is not in the United States and is not a U.S. Person; and 
(c) is not an Institutional Investor (unless they are a “Sophisticated Investor”) or a Broker (acting in their own capacity). |
<p>| Securities                                             | means securities on issue in the Company.                                                                                               |
| Seller Warranties                                      | means the warranties provided by the sellers of the Acquisitions.                                                                     |</p>
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>means those members of the senior management team of Healthia described in Section 6.2.</td>
</tr>
<tr>
<td>SFA</td>
<td>means the Securities and Futures Act, Chapter 289 of Singapore.</td>
</tr>
<tr>
<td>SFO</td>
<td>means the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong.</td>
</tr>
<tr>
<td>Share</td>
<td>means a fully paid ordinary share in the capital of the Company.</td>
</tr>
<tr>
<td>Shareholder</td>
<td>means a registered holder of a Share.</td>
</tr>
<tr>
<td>Share Registry</td>
<td>means Link Market Services.</td>
</tr>
<tr>
<td>Statutory Forecast Consolidated Cash Flow Information</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>Statutory Forecast Financial Information</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>Statutory Forecast Consolidated Statement of Profit and Loss</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>Statutory Historical Financial Information</td>
<td>has the meaning given to it in Section 4.</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>has the meaning given to it in the Corporations Act.</td>
</tr>
<tr>
<td>Substantial Shareholders</td>
<td>has the meaning given in the Corporations Act.</td>
</tr>
<tr>
<td>Successful Applicants</td>
<td>means an Applicant who is issued Shares under the Offer.</td>
</tr>
<tr>
<td>Underwriter</td>
<td>means Canaccord Genuity (Australia) Limited.</td>
</tr>
<tr>
<td>Underwriting Agreement</td>
<td>means the agreement between the Company and the Underwriter in respect of the Offer, a summary of which is included in Section 8.1.</td>
</tr>
<tr>
<td>Underwriting Fee</td>
<td>means the fees payable to the Underwriter under the Underwriting Agreement and Section 7.13.</td>
</tr>
<tr>
<td>Underwritten Offer</td>
<td>means the Broker Firm Offer, the Institutional Offer and the Chairman’s List Offer.</td>
</tr>
<tr>
<td>U.S. Person</td>
<td>has the meaning given to that term in Rule 902(k) under the US Securities Act.</td>
</tr>
<tr>
<td>Working capital</td>
<td>means cash plus receivables plus inventories less trade payables less short-term employee entitlements.</td>
</tr>
<tr>
<td>Working Capital Facility</td>
<td>has the meaning given to it in Section 8.2.</td>
</tr>
</tbody>
</table>
13. Appendix 1 - Statutory Financial Information

A.1 Statutory Financial Information

Table A.1 summarises MFDA’s statutory historical consolidated statements of profit or loss for FY16, FY17, H1 FY17 and H1 FY18.

Table A.1: Statutory Historical and Forecast Consolidated Statements of Profit or Loss

<table>
<thead>
<tr>
<th></th>
<th>Statutory Historical</th>
<th>Statutory Historical</th>
<th>Statutory Historical</th>
<th>Statutory Historical</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY16</td>
<td>FY17</td>
<td>H1 FY17</td>
<td>H1 FY18</td>
</tr>
<tr>
<td>Pro Forma Revenue</td>
<td>5,342</td>
<td>19,853</td>
<td>6,891</td>
<td>15,740</td>
</tr>
<tr>
<td>Revenue Growth (%)</td>
<td></td>
<td>272%</td>
<td></td>
<td>128%</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td>76</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>2,570</td>
<td>10,179</td>
<td>3,575</td>
<td>8,185</td>
</tr>
<tr>
<td>Occupancy expenses</td>
<td>681</td>
<td>2,252</td>
<td>836</td>
<td>1,445</td>
</tr>
<tr>
<td>Other expenses</td>
<td>1,538</td>
<td>5,873</td>
<td>2,129</td>
<td>4,905</td>
</tr>
<tr>
<td>Pro forma EBITDA</td>
<td>553</td>
<td>1,625</td>
<td>391</td>
<td>1,205</td>
</tr>
<tr>
<td>EBITDA Growth (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>138</td>
<td>652</td>
<td>233</td>
<td>444</td>
</tr>
<tr>
<td>Amortisation</td>
<td>3</td>
<td>96</td>
<td>48</td>
<td>86</td>
</tr>
<tr>
<td>Pro forma EBIT</td>
<td>412</td>
<td>877</td>
<td>110</td>
<td>675</td>
</tr>
<tr>
<td>Net Finance Costs</td>
<td>23</td>
<td>393</td>
<td>85</td>
<td>450</td>
</tr>
<tr>
<td>Pro forma NPBT</td>
<td>389</td>
<td>484</td>
<td>25</td>
<td>225</td>
</tr>
<tr>
<td>Tax expense</td>
<td>122</td>
<td>523</td>
<td>26</td>
<td>267</td>
</tr>
<tr>
<td>Pro forma NPAT</td>
<td>267</td>
<td>(39)</td>
<td>(1)</td>
<td>(42)</td>
</tr>
<tr>
<td>Amortisation Expense</td>
<td>3</td>
<td>96</td>
<td>48</td>
<td>86</td>
</tr>
<tr>
<td>Pro forma NPATA</td>
<td>270</td>
<td>57</td>
<td>47</td>
<td>44</td>
</tr>
<tr>
<td>NPATA Growth (%)</td>
<td></td>
<td>-79%</td>
<td>-6%</td>
<td></td>
</tr>
</tbody>
</table>
### A.2 Summarised Statutory Historical Consolidated Cash Flow Information

Table A.2 summarises Healthia’s statutory historical consolidated cash flow information for FY16, FY17, H1 FY17 and H1 FY18.

<table>
<thead>
<tr>
<th></th>
<th>Statutory Historical FY16</th>
<th>Statutory Historical FY17</th>
<th>Statutory Historical H1 FY17</th>
<th>Statutory Historical H1 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>553</td>
<td>1,625</td>
<td>391</td>
<td>1,205</td>
</tr>
<tr>
<td>Net Movement in working capital</td>
<td>74</td>
<td>1,300</td>
<td>389</td>
<td>726</td>
</tr>
<tr>
<td>Operating free cash flow before capital expenditure</td>
<td>627</td>
<td>2,925</td>
<td>780</td>
<td>1,931</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>(255)</td>
<td>(1,190)</td>
<td>(492)</td>
<td>(776)</td>
</tr>
<tr>
<td>Net free cash flow before financing, tax, dividends and non controlling interest dividends</td>
<td>372</td>
<td>1,735</td>
<td>288</td>
<td>1,155</td>
</tr>
<tr>
<td>Dividends paid to non controlling interests</td>
<td>(30)</td>
<td>(205)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net free cash flow before financing, tax and dividends</td>
<td>342</td>
<td>1,530</td>
<td>288</td>
<td>1,155</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(23)</td>
<td>(393)</td>
<td>(85)</td>
<td>(450)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(318)</td>
<td>(337)</td>
<td>(8)</td>
<td>(102)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from banking facilities</td>
<td>2,221</td>
<td>10,370</td>
<td>3,803</td>
<td>3,701</td>
</tr>
<tr>
<td>Net cash flows before Listing related transactions</td>
<td>2,222</td>
<td>11,170</td>
<td>3,998</td>
<td>4,304</td>
</tr>
<tr>
<td>Costs of acquisitions</td>
<td>(1,425)</td>
<td>(9,326)</td>
<td>(2,568)</td>
<td>(2,622)</td>
</tr>
<tr>
<td>Listing proceeds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listing &amp; acquisition costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of banking facilities</td>
<td>(274)</td>
<td>(538)</td>
<td>(395)</td>
<td>(978)</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>523</td>
<td>1,306</td>
<td>1,035</td>
<td>704</td>
</tr>
</tbody>
</table>
Corporate directory

**Company**
Healthia Limited
www.healthia.com.au

**Directors**
Glen Richards  
Paul Wilson  
Lisa Dalton  
Darren Stewart  
Tony Ganter

**Company Secretary**
Wesley Coote

**Lead Manager and Underwriter**
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Sydney NSW 2000  
www.canaccordgenuity.com

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