CAPITOLHEALTH LIMITED

ABN 84 117 391 812

2014 ANNUAL REPORT

CONTENTS

Directors

Mr John Conidi	–	Managing Director
Mr Dominik Kucera	–	Executive Director
Mr Andrew Harrison	–	Non-Executive Director
Mr Steven Sewell	–	Non-Executive Director

Company Secretary

Mr Kim Hogg

Principal Place of Business and Registered Office

Level 3, 81 Lorimer St,
Docklands, VIC 3008

Telephone: (61-3) 9348 3333
Facsimile: (61-3) 9646 2260

Auditor

RSM Bird Cameron Partners
Level 21
55 Collins Street
Melbourne, Victoria, 3000

Solicitors

Steinepreis Paganin
Level 4
16 Milligan Street
Perth, Western Australia, 6000

Share Registry

Computershare Investor Services Pty Ltd
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45 St George's Terrace
Perth, Western Australia, 6000

Telephone: (61-8) 9323 2000
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Stock Exchange

ASX Limited
Exchange Plaza
2 The Esplanade
Perth, Western Australia, 6000

ASX Code: CAJ

Dear Shareholder,

It has been another exciting year for Capitol Health, with the Company consolidating its position as the largest community-based (non-hospital) Diagnostic Imaging (DI) services provider in Victoria. The business has continued its expansion and growth in FY2014, with both organic and strategic measures translating into further significant gains in market share across Victoria. The years trading provides for another record full year financial result:

- Operating Revenue is up 44.6% (on FY2013), to $90.3 million
- Net Profit after Tax is up 99.4% (on FY2013), to $7.2 million

Dividend

Due to our strong financial and operating performance, the Board of Directors has declared a fully franked Final Dividend of 0.5 cents (point five of one cent) per share, which equates to a 67% increase on the Final Dividend for FY2013 and a 25% increase on the Interim Dividend for the first half of FY2014. The uplift in Dividends reflects the Board's continued confidence in Capitol's financial strength and operating outlook.

MRI expansion

The 2014 financial year has seen the second tranche of MRI reforms coming into operation, which has benefited Capitol as the Federal Government seeks to improve the affordability and nationwide access to Medicare-funded MRI scans. The Capitol network currently has seven Medicare-funded MRI licenses and has placed an order for an additional seven "unfunded" MRI's to enable a more effective allocation of rebated and non-rebated scans across the Capitol network.

MDI acquisition – actual results to projection

On 30 April 2013 Capitol successfully completed the acquisition of MDI Group and indicated to the market an estimated performance for FY 2014 of $24m in revenue and $2.4m in Profit Before Tax. I am pleased to report that the acquisition has delivered revenues of $24.9m and a Profit Before Tax contribution to the Group of $4.2m for the financial year.

3D Print offering

Capitol is pleased to announce that it has entered into a commercial arrangement with an external provider for the provision of three-dimensional models and displays to Referrers, to augment current two-dimensional digital imaging options in the marketplace. We believe that Capitol will be the first digital imaging provider in Australia to offer these services.

Future Opportunities

The DI sector will see further and more rapid disruption over the next 2 years. Disruption will be as a result of government policy, advancement in technology and further adoption of functional networking by our customers. Capitol has long seen disruption as an opportunity to increase market share, revenues, margins and profits. This is evidenced by our ability to discern, strategize and execute a successful MRI plan.

Our underlying objective is always to obtain the best possible outcome for our patients. Consequently changes in technology and our adoption of change will be determined by the underlying premise that it enhances our patients' health outcomes. Medicine and in particular DI is heading towards patient personalization and Capitol has placed itself as a market leader by formalizing an association with 3D Medical to provide medical models and visualization where it enhances patients outcomes through surgery planning, diagnosis and education.

It is clear that government policy will drive industry consolidation. Capitol is well positioned to capture a significant share of that consolidation. As mentioned in many previous announcements we are keen to expand our presence beyond Victoria and become a true national DI provider. Again we see the governments' disruption as a positive and eagerly await opportunities as they present themselves.

The future of any service business is based on managements' ability to foresee the opportunities and threats ahead and to position the business to take advantage of that. I trust that the history of Capitols' success gives shareholders and prospective shareholders confidence in my teams' ability to continually provide shareholder prosperity.

Thank you

Finally, I would like to take this opportunity to thank all our employees for their hard work and dedication, and also to our referrers and patients for their ongoing support and loyalty. I would also like to acknowledge and thank all of the Capitol shareholders for their commitment to the business over the past year. I look forward to providing you with further updates on our success in the new financial year.

John Conidi
Managing Director
Melbourne, Victoria
11 August 2014

The Directors present their report together with the financial report of Capitol Health Limited (the "Company") and its controlled entities (the "Group"), for the financial year ended 30 June 2014, and the auditor's report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Mr John Conidi, BBus, CPA
Managing Director – Appointed 30 August 2007

Mr Conidi graduated in 1995 with a Bachelor of Business degree from Royal Melbourne Institute of Technology. He is a CPA and currently manages the Radiology Consolidated entity's operations. Mr Conidi has over 14 years of experience in developing, acquiring and managing businesses in the healthcare industry with a focus on diagnostic imaging. Mr Conidi's role in strategy, management and business development has driven the rapid expansion of the Group. Mr Conidi was a Non-Executive Director of Lithex Resources Limited, an ASX listed company, in 2013 (resigned Dec 2013).

Mr Dominik Kucera, BBus (Acc), CPA
Executive Director and Chief Financial Officer – Appointed 31 July 2008

Mr Kucera has held senior finance roles in a number of private, joint venture and public companies, under Australian and Multi-National ownership, as both permanent employee and consultant in Primary, Secondary and Tertiary (service) industries for extensive periods of time. Mr Kucera has held ultimate responsibility in his various roles for the Finance, Human Resources, Marketing and IT functions for the companies or business units under his control.

Mr Andrew Harrison, BCom (Hons)
Non-Executive Director - Appointed 1 December 2005

Mr Harrison has significant experience in both senior management and board positions in publicly listed companies, including strategic and day-to-day management in addition to IPO activities. He was a Non-Executive Director of ASX listed companies Neptune Marine Services Limited until February 2006 and a Non-Executive & Executive Director of Draig Resources Limited until November 2012.

Mr Harrison will be retiring by rotation and seeking re-election by shareholders at the 2014 Annual General Meeting.

Mr Steven Sewell
Non-Executive Director – Appointed 6 February 2008

Mr Sewell is the Managing Director and Chief Executive Officer of Federation Centres, an ASX listed company. Mr Sewell has over 16 years of experience in the property investment and management industry. He is the Chair of the Shopping Centre Council of Australia as well as an active member of its Retail Lease Law and Planning sub-committee. He is a graduate in Science from the University of Melbourne.

COMPANY SECRETARY

Mr Kim Hogg, BCom
Company Secretary – Appointed 1 December 2005

Mr Hogg is a principal of a public practice providing specialist services to clients seeking to raise capital and list on the ASX. He has predominantly been involved in the preparation of prospectuses and in compliance work as company secretary for both listed and unlisted entities. Mr Hogg completed a Bachelor of Commerce degree in 1984 at the University of Western Australia. He is currently the company secretary of a number of companies listed on the ASX.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by Directors of the Company during the last 3 years immediately before the end of the financial year are as follows:

		Period of directorship	
Director	**Company**	**From**	**To**
Mr J Conidi	Lithex Resources Limited	2012	2013
Mr A Harrison	Draig Resources Limited	2005	2012
Mr S Sewell	Federation Centres	2012	Present

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board Meetings		Nomination and Remuneration Committee Meetings		Audit and Risk Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Mr J Conidi	8	8	1	1	n/a	n/a
Mr D Kucera	8	8	n/a	n/a	n/a	n/a
Mr A Harrison	8	8	1	1	3	3
Mr S Sewell	8	8	1	1	3	3

Committee membership

As at the date of the report, the Company had a Nomination and Remuneration Committee and an Audit and Risk Committee of the Board of Directors. Members acting on the committees of the Board during the financial year were:

Nomination and Remuneration Committee	Audit and Risk Committee
Mr A Harrison (Chairman)	Mr S Sewell (Chairman)
Mr S Sewell	Mr A Harrison
Mr J Conidi	

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were the provision of services and facilities to healthcare businesses.

RESULTS

The Group made a net profit after tax for the financial year ended 30 June 2014 of $7,232,870 (2013: profit $3,627,361).

OPERATING AND FINANCIAL REVIEW

The results for the financial year ending 30 June 2014 incorporate the following key developments:

- Introduction of the second tranche of MRI items directly referable by GP's under Medicare
- No general changes to the level of Medicare rebates
- Clinic revenue increasing at a normalised rate ahead of the general growth in Medicare rebates paid
- Full year of operation for the MDI acquisition

Operating review

The operating environment has not altered significantly year-on-year, being a continued steady path of expansion through acquisition and/or organic growth based on investments made in prior years.

Major acquisitions and organic growth

There were no major acquisitions within the reporting period. The focus of the Group has been the successful integration of MDI Group Pty Ltd and its subsidiaries into the total diagnostic imaging operation.

Impact of Federal Budget 2013/14

The Budget again contained no increases to the general value of the individual items in the Medicare Benefits Schedule (MBS) or any increases to the percentage of the MBS items rebated to bulk-billers. This maintained the additional pressure on other diagnostic imaging providers who have moved back to bulk-billing in order to compete with Capitol.

Operating review (continued)

Total Trading Environment

There was no apparent change to the pattern of previous yearly performance whereby revenues for Capitol increased at a rate in excess of the overall market, based on Medicare rebates paid over the course of the financial year. The Group has had an organic growth rate of 12.8% when normalized to exclude the impact of acquisitions compared to an increase in Australia-wide Medicare benefits of 8.8% in dollar terms.

MRI Licences

From 1 November 2013 the Federal Governments MRI services expansion plan applied to adult referrals by GP's. The contribution from this expansion of Medicare rebated services to Capitol has been significant. The performance to date has provided the Company with the confidence to order an additional seven "unlicensed" MRI units to complement the existing seven licensed machines to provide complimentary imaging services for non-rebated items as awareness of the benefits of MRI becomes more widely distributed in our GP referrer base.

Taxation

There was a successful conclusion to the review of the utilisation of certain tax losses held within the MDI companies. The effect is disclosed in Notes 1.(b).(iv) and 8 to the consolidated financial statements.

Financial Review

Outlook

With no revision of the Schedule Fee in the MBS our competitors are still under considerably more financial pressure than Capitol. The Company anticipates another year of growth in revenues and a continuation of efforts to optimise the efficiency of its cost base in conjunction with the additional revenues generated from the MDI acquisition.

Impact of Federal Budget 2014/15

The Budget measures as proposed from 1 July 2016, including Co-payments for imaging services, have yet to have passed through Federal Parliament as at the date of this Report. Operational details relating to the proposals have not been formalised or distributed. Therefore there is still a considerable question mark if the measures will receive approval through the political process. However, Capitol believes that it is the best placed provider in the diagnostic imaging sector to deal with any changes as they are finalised.

The Company will continue to actively seek out favourable investment opportunities, acquisition targets and operating combinations that meet the criteria of a net benefit to the shareholders of Capitol. With no changes to MBS likely in the near-term and uncertainty in the sector about the Federal Budget measures it is expected that the disruption in this market sector will continue, providing Capitol with further expansion potential.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the Group.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The consolidated net assets increased during the financial year ending 30 June 2014 by $4,559,485 (2013: $9,640,313) to $38,182,985 (2013: $34,105,286). The increase comprised the net profit after tax for the reporting period of $7,232,870 (2013: profit $3,627,361) plus or minus the net of dividends paid, capital raisings and associated costs of (expense) $2,673,385 (2013: addition $6,012,925).

There have been no significant changes in the state of affairs of the Company during the course of the financial year.

DIVIDENDS

Dividends paid during the financial year

Dividends payable in relation to any given 6 month financial period are paid in the following half-year.

	2014 $ per share	2014 $	2013 $ per share	2013 $
Final dividend for the preceding financial year	$0.0030	1,291,297	$0.0020	744,162
Interim dividend for the year ending 30 June	$0.0040	1,723,199	$0.0025	1,073,846
		3,014,496		**1,818,008**

All dividends paid were fully franked.

Dividend Reinvestment Plan ("DRP")

The Company's DRP is currently active and available to all shareholders.

Dividend converted into ordinary shares under the DRP for the final dividend paid during 2014 was $136,669 for 367,672 shares at an issue price of $0.372 (2013: $83,174, 1,434,038 shares, $0.058).

Dividend converted into ordinary shares under the DRP for the interim dividend paid during 2014 was $208,240 for 380,322 shares at an issue price of $0.548 (2013: $151,012, 893,709 shares, $0.169).

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date the Company declared a final dividend for the financial year ending 30 June 2014 of $0.005 per share (2013: $0.003), with a maximum dividend payable of $2,155,901 (2013: $1,219,296).

LIKELY DEVELOPMENTS

The Group will continue to operate in the diagnostic imaging market and pursue its strategy of expansion through acquisition and organic growth. The Operating and Financial Review above and the Managing Director's Review set out more details about likely developments in the operations of the Group in future financial years.

DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options issued by the Company at the date of this report is as follows:

Director	Ordinary shares
Mr J Conidi	32,626,264
Mr D Kucera	1,335,675
Mr A Harrison	3,508,772
Mr S Sewell	110,950

OPTIONS

Options granted to Directors and key management personnel

No options have been granted during or since the end of the financial year.

Unissued shares under option

At the date of this report, there are no unissued ordinary shares of the Company under option.

No shares were issued during or since the end of the financial year as a result of the exercise of an option over unissued shares.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the current directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

The Company paid a premium during the year in respect of a director and officer liability insurance policy, insuring the Directors of the Company, the Company Secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

NON-AUDIT SERVICES

The Company's auditor, RSM Bird Cameron Partners, was appointed in 2009 and did not provide any non-audit services during the year (2013: Nil).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 12 of the financial report.

AUDITED REMUNERATION REPORT

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and the *Corporations Regulations 2001*.

For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company. The Group does not presently employ any executives, other than the executive directors.

KEY MANAGEMENT PERSONNEL

The following were key management personnel of the Group at any time during the year and unless otherwise indicated were key management personnel for the entire year:

Name	Position held
Mr J Conidi	Managing Director
Mr D Kucera	Executive Director
Mr A Harrison	Non-Executive Director
Mr S Sewell	Non-Executive Director

REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration policies for the directors and executives. If necessary, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Group.

PRINCIPLES OF REMUNERATION

Compensation levels for key management personnel of the Company and the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the relevant segments performance
- the Group's performance including:
  - the Group's earnings, and
  - the growth in share price and delivering constant returns on shareholder wealth.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives.

Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2013 General Meeting, is not to exceed $250,000 per annum. Directors' fees cover all main board activities and membership of committees.

Non-executive directors do not receive any retirement benefits, nor do they receive any performance related compensation.

Executive remuneration

Executive Directors are employed under the general terms of the Award that govern the industry sector and the National Employment Standards as appropriate to their position.

Executive directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

AUDITED REMUNERATION REPORT (cont'd)

PRINCIPLES OF REMUNERATION (cont'd)

Fixed compensation

Fixed compensation consists of base compensation, as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the remuneration committee through a process that considers individual, segment and overall performance of the Group.

Other benefits

Key management personnel may receive benefits such as car allowances, and the Company pays fringe benefits tax on these benefits.

Short-term incentives

Key management personnel received short-term incentives during the 2014 and 2013 reporting periods.

Long-term incentives

Long-term incentives ("LTI") may be provided to key management personnel via the Capitol Health Limited Incentive Option Scheme ("Scheme") (refer to Note 17 to the financial statements). The LTI are provided as options over ordinary shares of the Company to key management personnel based on their position within the Group. Vesting conditions may be imposed on any LTI grants if considered appropriate, in accordance with the Scheme's terms and conditions.
LTI are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth. Options may only be issued to Directors subject to approval by shareholders in general meeting.
There were no options granted as compensation to key management personnel during the 2014 or 2013 reporting periods.

The Company has introduced a policy that prohibits employees and directors of the Group from entering into transactions that operate or are intended to operate to limit the economic risk or are designed or intended to hedge exposure to unvested Company securities. This includes entering into arrangements to hedge their exposure to LTI granted as part of their remuneration package. This policy may be enforced by requesting employees and directors to confirm compliance.

CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

In considering the Group's performance and benefits for shareholder wealth, the directors have regard to the following indices in respect of the current financial year and the previous three financial years:

	2014	2013	2012	2011
Net profit for the financial year	$7,232,870	$3,627,361	$2,134,225	$962,009
Dividends paid	$3,014,496	$1,818,008	$709,695	nil
Share price at beginning of the financial year	23.5 cents	4.7 cents	4.1 cents	2.5 cents
Share price at end of the financial year	44.5 cents	23.5 cents	4.7 cents	4.1 cents
Change in share price	21.0 cents	18.8 cents	0.6 cents	1.6 cents
Earnings per share (basic)	1.68 cents	0.94 cents	0.67 cents	0.32 cents

Changes in the overall level of key management personnel's compensation takes into account the performance of the Group.

Performance related remuneration transactions for the executive directors during 2014 amounted to $88,000 (2013: $65,000).

EMPLOYMENT AGREEMENTS

The Group has not entered into employment agreements with any of its key executive management personnel. Executive Directors are employed under the general terms of the Award that govern the industry sector and the National Employment Standards as appropriate to their position.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of the remuneration of each key management person of the Group are:

		Short-term			Post-employment	Long-term	Share-based payments			
		Salary & fees	STI cash bonus	Other benefits	Superannuation benefits	Long service leave	Options	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		$	$	$	$	$	$	$	%	%
Directors										
Non-executive										
Mr A Harrison	2014	50,000	-	-	-	-	-	50,000	0.0%	-
	2013	43,333	-	-	-	-	-	43,333	0.0%	-
Mr S Sewell	2014	49,999	-	-	4,625	-	-	54,624	0.0%	-
	2013	43,077	-	-	3,877	-	-	46,954	0.0%	-
Executive										
Mr J Conidi	2014	352,692	44,000	-	32,087	6,873	-	435,652	10.1%	-
	2013	321,539	27,500	-	28,938	27,388	-	405,365	6.8%	-
Mr D Kucera	2014	250,000	44,000	3,680	23,125	11,129	-	331,934	13.3%	-
	2013	250,000	37,500	6,890	22,500	2,130	-	319,020	11.8%	-
Total, all key management personnel	**2014**	**702,691**	**88,000**	**3,680**	**59,837**	**18,002**	**-**	**872,210**	**10.1%**	**-**
	2013	**657,949**	**65,000**	**6,890**	**55,315**	**29,518**	**-**	**814,672**	**8.0%**	**-**

This is the end of the audited Remuneration Report.

Dated at Melbourne, Victoria this 11th day of August 2014.

Signed in accordance with a resolution of the Directors:

John Conidi
Managing Director

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Capitol Health Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

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R B MIANO
Partner

Dated: 11 August 2014
Melbourne, Victoria

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2014

	Note	2014 $	2013 $
Continuing Operations			
Revenue	3	88,761,236	61,618,316
Other Income	4	1,572,953	865,707
Employee & Contractor benefits expense	6	(51,087,644)	(36,383,413)
Equipment-related expense		(6,652,675)	(5,357,077)
Occupancy expense		(6,317,430)	(4,156,466)
Consumables expense		(3,510,025)	(2,742,128)
Telecommunications expense		(1,469,642)	(1,241,830)
Management fees		(1,282,539)	(733,408)
Computer IT & support expense		(1,161,493)	(794,245)
Insurance expense		(587,382)	(441,820)
Impairment of assets	13	(7,744)	(207,958)
Other expenses	5	(3,711,379)	(2,473,817)
Borrowing costs		(820,797)	(455,514)
Depreciation & amortisation expense	13	(3,534,640)	(2,183,271)
Profit before income tax		**10,190,799**	**5,313,076**
Income tax on continuing operations	8	(2,957,929)	(1,685,715)
Profit from continuing operations		**7,232,870**	**3,627,361**
Total comprehensive income for the financial year		**7,232,870**	**3,627,361**
Profit for the financial year attributable to owners of the parent		**7,232,870**	**3,627,361**
Total comprehensive income for the financial year attributable to owners of the parent		**7,232,870**	**3,627,361**
Earnings per share (cents)			
Total earnings for the financial year	25	1.68	0.94

There is no material difference between basic and diluted earnings per share

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

CAPITOLHEALTH LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

	Note	2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	9	9,119,541	6,126,610
Trade and other receivables	10	2,264,082	2,196,480
Financial assets held to maturity	11	136,103	487,860
Other assets	12	612,624	493,270
Total Current Assets		**12,132,350**	**9,304,220**
NON-CURRENT ASSETS			
Other financial assets	12	276,833	-
Property, plant & equipment	13	17,578,663	15,259,876
Intangible assets	14	30,223,473	30,223,473
Deferred tax assets	8	1,956,831	2,130,940
Total Non-Current Assets		**50,035,800**	**47,614,289**
TOTAL ASSETS		**62,168,150**	**56,918,509**
CURRENT LIABILITIES			
Loans and borrowings	18	3,094,899	2,722,369
Trade and other payables	15	4,399,863	4,051,717
Employee benefits	16	4,927,326	4,372,588
Income tax liability		1,002,952	811,167
Total Current Liabilities		**13,425,040**	**11,957,841**
NON-CURRENT LIABILITIES			
Loans and borrowings	18	8,399,027	9,523,618
Employee benefits	16	941,584	644,509
Deferred tax liabilities	8	737,728	687,255
Total Non-Current Liabilities		**10,078,339**	**10,855,382**
TOTAL LIABILITIES		**23,503,379**	**22,813,223**
NET ASSETS		**38,664,771**	**34,105,286**
EQUITY			
Issued capital	19	31,541,850	31,200,739
Retained earnings	21	7,122,921	2,904,547
Equity attributable to owners of the parent		**38,664,771**	**34,105,286**
TOTAL EQUITY		**38,664,771**	**34,105,286**

The statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows (used in)/from operating activities			
Cash receipts in the course of operations		90,404,130	61,664,385
Cash payments in the course of operations		(75,065,953)	(53,400,966)
Interest received		137,726	88,540
Interest paid		(820,797)	(455,514)
Net income tax paid		(2,541,562)	(1,503,916)
Net cash provided by operating activities	30	**12,113,544**	**6,392,529**
Cash flows (used in)/from investing activities			
Proceeds from sale of non-current assets		-	104,000
Payments for non-current assets		(3,074,751)	(1,792,628)
Payment for other financial asset		(276,833)	(14,272)
Redemption of financial asset held to maturity	11	350,272	-
Proceeds from business acquisitions		-	123,291
Payments for acquisition of subsidiaries		-	(8,163,000)
Net cash used in investing activities		**(3,001,312)**	**(9,742,609)**
Cash flows (used in)/from financing activities			
Proceeds from the issue of share capital	19	-	8,002,978
Payment of share issue costs	19	(4,178)	(446,824)
Payment of dividend	20	(2,669,587)	(1,583,822)
Payment for leasing arrangements		(2,445,536)	(1,723,144)
Proceeds from secured loans from external entities		-	7,500,000
Repayment of secured loans to external entities	18	(1,000,000)	(3,974,602)
Net cash (used in)/from financing activities		**(6,119,301)**	**7,774,586**
Net increase in cash and cash equivalents		**2,992,931**	**4,424,506**
Cash and cash equivalents at 1 July		6,126,610	1,702,104
Cash and cash equivalents at financial year end	9	**9,119,541**	**6,126,610**

All amounts disclosed in the Statement of Cash Flows are inclusive of GST where applicable

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2014

	Note	Issued Capital $	Retained Earnings $	Total Equity $
Balance as at 30 June 2013	19, 21	**31,200,739**	**2,904,547**	**34,105,286**
Profit for the financial year	21	-	7,232,870	**7,232,870**
Total comprehensive income		**-**	**7,232,870**	**7,232,870**
Transactions with equity holders in their capacity as equity holders				
Shares issued through DRP	19, 20	344,909	(344,909)	**-**
Share issue costs (net of GST)	19	(3,798)	-	**(3,798)**
Dividends paid	20, 21	-	(2,669,587)	**(2,669,587)**
Total transactions with equity holders		**341,111**	**(3,014,496)**	**(2,673,385)**
Balance as at 30 June 2014	19, 21	**31,541,850**	**7,122,921**	**38,664,771**
Prior Comparative Period				
Balance as at 30 June 2012	19, 21	**23,369,779**	**1,095,194**	**24,464,973**
Profit for the financial year	21	-	3,627,361	**3,627,361**
Total comprehensive income		**-**	**3,627,361**	**3,627,361**
Transactions with equity holders in their capacity as equity holders				
Shares issued externally	19	8,002,978	-	**8,002,978**
Shares issued through DRP	19, 20	234,186	(234,186)	**-**
Share issue costs (net of GST)	19	(406,204)	-	**(406,204)**
Dividends paid	20, 21	-	(1,583,822)	**(1,583,822)**
Total transactions with equity holders		**7,830,960**	**(1,818,008)**	**6,012,952**
Balance as at 30 June 2013	19, 21	**31,200,739**	**2,904,547**	**34,105,286**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

Capitol Health Limited (the "Company") is a company incorporated and domiciled in Australia. Capitol Health Limited is a company limited by shares which are publicly traded on the Australian Securities Exchange. The consolidated financial report of the Company for the year ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the "Group").

The nature of the operations and principal activities of the Group are described in the Directors' Report.

For the purposes of preparing the financial statements the Company is a for-profit entity.

(b) Basis of preparation

(i) Statement of compliance

This financial report is a general purpose financial report prepared in accordance with the Australian Accounting Standards ("AASs") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. This consolidated financial report complies with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 11 August 2014.

(ii) Basis of measurement

The financial report is prepared on the accruals basis and the historical cost basis. The functional and presentation currency of the Company and the Group is the Australian Dollar.

(iii) Significant accounting policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

New and amended standards adopted by the entity

The Group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2013:

1. AASB 10 Consolidated Financial Statements, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards;
2. AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13; and
3. AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).

Consolidated Financial Statements

AASB 10 provides a revised definition of 'control', replacing all of the guidance on control and consolidation in AASB127 Consolidated and Separate Financial Statements and Interpretation 112. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the consolidation procedures. AASB10 has introduces a single consolidation model that identifies control where control is based on whether an investor has power over the investee, exposure / rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. The new standard also includes guidance on participating and protective rights and on agent / principal relationships. The application of the new standard has had no material effect on the Group's consolidated financial statements, as its scope of consolidation remains unchanged.

Change in accounting policy: Fair value measurement

AASB 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for all AASs. This change had an insignificant impact on the measurement of the Group's financial liabilities. In addition, in accordance with AASB 13 all assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(iii) Significant accounting policies (cont'd)

Change in accounting policy: Fair value measurement (cont'd)

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group holds neither assets nor liabilities at fair value, therefore the above disclosure requirement is not applicable.

Change in accounting policy: employee benefits

The adoption of the revised AASB 119 Employee Benefits resulted in a change to the Group's accounting policy for the annual leave obligations. As the Group does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified entirely as a long-term employee benefit for measurement purposes. This classification results in measuring the entire obligation on a discounted basis. The impact of this change was a decrease of $62,651 (2013: $Nil) in the carrying value of the provision. However, as the Group does not have an unconditional right to defer settlement of these liabilities for at least twelve months after the reporting period, the entire annual leave liability is classified for presentation purposes as a current liability in the balance sheet (refer to Note 1 (c) (xiii)).

(iv) Restatement of accounts

As advised in Note 8.e) of the 2013 Annual Report, the Company was investigating the potential utilisation of tax losses held within the acquired entities comprising the MDI acquisition in April 2013. The total tax losses held within the MDI entities at acquisition was $3,111,784.

Subsequent to issuing the Financial Report for the financial year ended 30 June 2013, management has determined that $2,436,496 of these losses meet the appropriate statutory test(s) for utilisation by the Group, providing a tax benefit of $730,949.

Further, a review of the assets acquired through the MDI acquisition has resulted in a minor reduction of $125,893 in the carrying value of Plant and equipment at acquisition date.

Adjustments to the provisional amounts recognised at acquisition date combination had been completed as if the accounting for the business combination had been completed at April 2013. Accordingly the comparative information reported in the previous financial report has been revised and restated.

A summary of the changes to the carrying value of individual categories in the Consolidated Statement of Financial Position as at 30 June 2013 is as follows;

	30 June 2013 as reported; Prior Report $	Re-classification Net Movement $	30 June 2013 as reported; Current Report $
NON-CURRENT ASSETS			
Plant & equipment	15,385,769	(125,893)	15,259,876
Intangible assets	30,828,529	(605,056)	30,223,473
Deferred tax assets	1,701,149	429,791	2,130,940
Total Non-Current Assets	**47,915,447**	**(301,158)**	**47,614,289**
CURRENT LIABILITIES			
Loans and borrowings	2,722,369	-	2,722,369
Trade and other payables	6,654,807	-	6,654,807
Employee benefits	1,769,498	-	1,769,498
Income tax liability	1,112,325	(301,158)	811,167
Total Current Liabilities	**12,258,999**	**(301,158)**	**11,957,841**

The above review and adjustments impacted neither on the opening Retained earnings, nor the Comprehensive income for the financial year ended 30 June 2013.

(c) Significant accounting estimates, assumptions and judgements,

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 and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are outlined below:

(i) Significant accounting estimates and assumptions

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 14. If any of these estimates were to significantly change, it may have a material impact on the reported amount of goodwill.

Provision for annual leave and long service leave

The calculation of annual leave and long service leave has been based on estimates and judgements made by the Directors. Should any of these estimates or judgements significantly change this could have a material effect on the amount recognised.

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties, lease terms and turnover policies. In addition, the condition of the assets is assessed annually and considered against remaining useful life. Adjustments to useful lives are made when necessary.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences which the Directors consider probable that future taxable profits will be available to utilise those temporary differences.

(ii) Significant accounting judgements

Recognition of internal costs relating to plant and equipment as an asset

The Group recognises plant and equipment as assets when an item enables the Group to derive future economic benefits from related assets in excess of what could be derived had it not been acquired. Management exercises significant judgements in applying the above recognition criteria to specific circumstances and determining what constitutes an item of plant and equipment as well as to determine the element of cost that is directly attributable to bringing the asset to a location and condition necessary for it to be capable of operating in the manner intended by management.

During the current financial year the Group has recognised $222,548 (2013: $112,769) of costs of employee benefits arising directly from the expansion of the current fixed network of management and digital imaging systems and related infrastructure of the new operational sites and head office.

(d) Summary of Significant Accounting Policies

(i) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group until the date that control ceases.

Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-Group balances and all gains and losses or income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

Non-controlling interests

Non-controlling interests are classified as equity in the Statement of financial position except where there is a contractual obligation to deliver cash or financial assets to another entity as a result of this relationship. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in net assets since the date of the combination.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. Any changes in ownership result in an adjustment between the controlling and non-controlling interests to reflect their relative interests. Any difference between the adjustment and the consideration paid is recognised in a separate reserve in equity.

(ii) Financial instruments

Financial instruments comprise cash and cash equivalents, financial assets held to maturity, trade and other receivables, loans and borrowings, and trade and other payables.

Financial instruments are recognised initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(iii) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity 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 purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above but also include as a component of cash and cash equivalents bank overdrafts (if any), which are included as borrowings on the statement of financial position.

(iv) Financial assets – held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(v) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost less any impairment losses recognised. Trade receivables are due for settlement no more than 90 days from date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful receivables where there is objective evidence that the Group will not be able to collect all of its amounts according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

(vi) Loans and borrowings

Loans are recognised initially at fair value, net of transaction costs incurred, and subsequently at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective rate of interest. Borrowings are removed from the statement of financial position when the obligation is discharged, cancelled or expired.

(vii) Trade and other payables

Trade and other payables are recognised initially at fair value, and subsequently at amortised cost. Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 30 days.

(viii) Share capital

Share capital is recognised at the amount of consideration received. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(ix) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs

Subsequent costs are included in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of Property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a diminishing-value basis over the estimated useful lives of each part of an item of Property, plant and equipment. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives are as follows;

Plant and equipment	3 to15 years
Office furniture and equipment	3 to 5 years
Leasehold improvements	3 to10 years
Motor vehicles	3 to 5 years
Low value pool assets	7 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(x) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is subject to an annual impairment test.

(xi) Leased assets

Leases under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to the initial recognition the asset is accounted for in accordance with the accounting policy applicable to the asset, with amortisation rates at the higher rate of the equivalent rate stated in Note 1(ix) for depreciation for similar classes of assets or the rate equivalent to the leased term.

Lease payments made under finance leases are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

(xii) Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset Group that generates cash inflows that are largely independent from the cash inflows from other assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of any goodwill allocated to the other assets in the unit (Group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(xiii) Employee Benefits

Wages and salaries, annual leave and long service leave

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits are measured based on an assessment of the existing benefits to determine the appropriate classification under the definition of short term and long term benefits, placing emphasis on when the benefit is expected to be settled.

Short term benefits provisions that are expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long term benefits provisions that are not expected to be settled within 12 months, and are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Consideration is given to the 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 to estimate the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Regardless of the expected timing of settlement, provisions made in respect of employee benefits are classified as a current liability unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability. Provisions made for annual leave and unconditional long service leave are classified as a current liability where the employee has a present entitlement to the benefit. Provisions for conditional long service are classified as non-current liability.

Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

The Company operates an incentive scheme to provide these benefits, known as the Capitol Health Limited Incentive Option Scheme (“Scheme”) approved at the general meeting on 30 December 2005.

The cost of these share-based payment transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial or Black-Sholes model.

In valuing share-based payment transactions, no account is taken of any non-market performance conditions.

The cost of share-based payment transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(xiv) Revenue

Revenues are recognised at fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the taxation authority. Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future benefits will flow to the Group and any criteria to be met for revenue recognition have been fulfilled.

Services

Revenue is recognised when the service is rendered.

Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

(xv) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated entity. As a consequence, all members of the tax-consolidated entity are taxed as a single entity. The head entity within the tax-consolidated entity is Capitol Health Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated entity are recognised in the separate financial statements of the members of the tax-consolidated entity using the ‘separate taxpayer within consolidated entity’ approach by reference to the carrying amount of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated entity. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated entity to the extent that it is probable that future taxable profits of the tax-consolidated entity will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Tax funding arrangements

The head entity, in conjunction with other members of the tax-consolidated entity, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated entity in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/ (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity’s obligations to make payments for tax liabilities to the relevant authorities.

(xvi) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows at their nominal value inclusive of GST.

Commitments are disclosed at their nominal value inclusive of GST.

(xvii) Non-current assets held for sale and discontinued operations

Non-current assets held for sale

Non-current assets (or disposal Groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For any non-current assets written down to recoverable amount, an impairment loss is recognised in the income statement. Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period and the current year results presented separately on the face of the income statement.

(xviii) Earnings per share

The Group presents basic and, when applicable, diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting basic earnings for the impact of the after tax effect of costs associated with dilutive ordinary shares and the weighted average number of additional ordinary shares that would be outstanding assuming the conversion of all dilutive potential ordinary shares. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xix) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of business combination is based on market values. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Trade and other receivables

The fair value of trade and other receivables recognised as a result of a business combination is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(xix) Determination of fair values (cont'd)

Trade and other payables

The fair value of trade and other payables recognised as a result of a business combination is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Borrowings

The fair value of borrowings recognised as a result of a business combination is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The fair value of incentive options is measured using the Black-Sholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(xx) New accounting standards and interpretations applicable to the Company in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

The following are applicable for annual reporting periods commencing on or after 1 January 2014 but are not considered to materially impact on the Group;

AASB 2012-3:	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities,
AASB 2013-3:	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets,
AASB 2013-5:	Amendments to Australian Accounting Standards – Investment Entities,
AASB 2013-9B:	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments,
AASB 1031:	Materiality, and
Interpretation 21:	Levies.

The following are applicable for annual reporting periods commencing on or after 1 January 2015 but are not considered to materially impact on the Group;

AASB 2013-9C:	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments,
AASB 2009-11:	Amendments to Australian Accounting Standards arising from AASB 9,
AASB 2010-7:	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The following is applicable for annual reporting periods commencing on or after 1 January 2017, but is not considered to materially impact on the Group;

AASB 9:	Financial Instruments.

2. FINANCIAL RISK MANAGEMENT

Overview

The Company and the Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk
- interest rate risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included in Note 22.

The Company's risk management framework is supported by the Board, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's and Group's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee is responsible for identifying, monitoring and managing significant business risks faced by the Company and Group and considering the effectiveness of its internal control system. Management and the Audit and Risk Committee report to the Board.

The Board has established an overall Risk Management Policy which sets out the Company's and Group's system of risk oversight, management of material business risks and internal control.

Financial risk management objectives

The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables and cash and cash equivalents. For the Company it arises from receivables due from controlled entities.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. The Group's trade receivables are mainly related to federal Government funded Medicare rebate claims and therefore management has assessed the related credit risk as insignificant.

The Group reviews trade and other receivables regularly to estimate incurred losses and establish an allowance for impairment, if required.

Trade and other receivables

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Purchase limits are set for each individual customer in accordance with parameters set by the Board. These purchase limits are regularly monitored.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. The Group reviews trade and other receivables regularly to estimate incurred losses and establish an allowance for impairment, if required.

Liquidity risk

Liquidity risk is the risk that the Company and the Group are unable to meet their as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

2. FINANCIAL RISK MANAGEMENT (cont'd)

Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

The Group has assessed the risk of foreign currency risk and equity price risk as insignificant.

Interest rate risk

The Group's exposure to interest rates primarily relates to the Group's long-term debt obligations. Fixed interest borrowings expose the Group to fair value interest rate risk, and variable rate borrowings expose the Group to cash flow interest rate risk.

The Directors manage these risks by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates. The Group does not hedge against these risks.

Capital management

When managing capital, the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board is constantly adjusting the capital structure to take advantage of favourable costs of capital or high return on assets. As the market is constantly changing, management may issue new shares, sell assets to reduce debt or consider payment of dividends to shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels. The Group had loans and borrowings of $6,500,000 at 30 June 2014 (2013: $7,500,000).

There were no changes in the Group's approach to capital management during the year, nor is the Group subject to any externally imposed capital requirements.

	2014 $	2013 $
3. REVENUE		
Services rendered	**88,761,236**	**61,618,316**
4. OTHER INCOME		
Interest income	137,726	90,477
Profit on sale of fixed assets	-	20,656
Other services	1,068,057	375,449
Miscellaneous income	367,170	379,125
	1,572,953	**865,707**
5. OTHER EXPENSES		
Corporate and administrative expenses	**3,711,379**	**2,473,817**

	2014 $	2013 $
6. EMPLOYEE BENEFITS EXPENSE		
Wages, salaries and self-employed contractors expenses	42,794,259	30,039,580
Other associated personnel expenses	2,255,169	1,681,298
Defined contribution superannuation expenses	2,693,500	1,843,434
Increase in liability for annual and long service leave	3,244,717	2,732,691
Non-executive Directors fees	99,999	86,410
	51,087,644	**36,383,413**

7. AUDITORS REMUNERATION

Details of the amounts paid or payable to the auditor of the Company, RSM Bird Cameron Partners, and its related practices for audit and non-audit services provided during the year are set out below:

Audit Services:

	2014 $	2013 $
Auditors of the company		
RSM Bird Cameron Partners		
- audit and review of financial reports	**135,000**	**111,650**

8. INCOME TAX

(a) Income tax expense

The major components of income tax expense are:

	2014 $	2013 $
Current income tax		
Current income tax charge	2,733,347	1,470,360
Deferred income tax - Adjustments relating to;		
Origination and reversal of timing differences	(205,209)	(85,804)
Utilisation of carried forward tax losses	429,791	301,159
Income tax expense reported in the statement of comprehensive income	**2,957,929**	**1,685,715**

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Groups' applicable income tax rate is as follows:

	2014 $	2013 $
Total accounting profit before income tax	**10,190,799**	**5,313,076**
At the Group's statutory income tax rate of 30% (2013 30%)	3,057,240	1,593,923
Tax effect on amounts which are not tax deductible;		
- Overstatement of opening balance of deferred tax liability	(106,209)	-
- Sundry amounts	6,898	91,792
Aggregate income tax expense	**2,957,929**	**1,685,715**
Aggregate income tax expense is attributable to:		
Continuing operations	**2,957,929**	**1,685,715**

	2014 $	2013 $
8. INCOME TAX (cont'd)		
(c) Recognised deferred tax assets and liabilities		
Deferred tax assets		
- Employee benefits provision	5,868,910	5,017,097
- Accrued expenses	578,548	513,783
- Provision for doubtful receivables	-	57,812
- Finance Leases	-	1,432,636
- Other	75,314	81,808
	6,522,772	**7,103,136**
Deferred tax asset at 30%	**1,956,831**	**2,130,940**
Recognised deferred tax assets		
Temporary differences	**1,956,831**	**2,130,940**
Deferred tax liability		
- Prepayments	106,998	54,642
- Unearned income	-	1,936
- Finance Leases	2,352,093	2,234,273
	2,459,091	**2,290,851**
Deferred tax liability at 30%	**737,728**	**687,255**
Recognised deferred tax liabilities		
Temporary differences	**737,728**	**687,255**

(d) Unrecognised temporary differences

The Group has no unrecognised temporary differences at 30 June 2014 (2013: $Nil).

(e) Tax losses

The Group has no carried forward operating losses at 30 June 2014 (2013: carried forward operating losses of $1,432,636 - equivalent to deferred tax asset of $429,791) that are able to be utilised.

During the reporting period the Directors determined that certain of the operating losses held within corporate entities comprising the acquisition of MDI Group Pty Ltd met the statutory tests for utilisation and thus would be available to offset tax on operating profits.

The Group had carried forward capital losses of $76,566 (2013: $76,566) which were incurred in 2009. A deferred tax asset was not recognised for the loss.

The balance of capital losses of $76,566 are expected to be available to offset against future capital gains subject to the Group continuing to meet statutory tests.

(f) Tax consolidation

Capitol Health Limited and its 100% owned subsidiaries formed a tax Group effective the year commencing 1 July 2005. Capitol Health Limited is the Head Entity of the tax consolidated Group. The Head Entity recognises the current and deferred tax amounts of the subsidiaries of the tax Group. Consistent with Interpretation 1052 Tax Accounting a tax funding arrangement is in place between members of the Group under which payments to/from the Head Entity are recognised via an intercompany loan which is at call.

	2014 $	2013 $

9. CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash on hand	14,350	11,950
Cash at bank	9,105,191	6,114,660
	9,119,541	**6,126,610**

10. TRADE AND OTHER RECEIVABLES

	2014 $	2013 $
Trade receivables	1,794,677	1,663,283
Other receivables	469,405	533,197
	2,264,082	**2,196,480**

11. FINANCIAL ASSETS HELD TO MATURITY

	2014 $	2013 $
Rental bonds	136,103	137,588
Term deposit	-	350,272
	136,103	**487,860**

12. OTHER ASSETS

Current

	2014 $	2013 $
Prepayments	**612,624**	**493,270**

Non-Current

	2014 $	2013 $
Investment in un-listed entity	**276,833**	**-**

13. PROPERTY, PLANT & EQUIPMENT

	Land & buildings $	Plant & equipment $	Leasehold improve-ments $	Other operating assets $	Assets under construction $	Total $
At 1 July 2013	**590,028**	**10,473,801**	**3,651,492**	**397,370**	**147,185**	**15,259,876**
Additions;						
purchases	-	-	-	-	5,861,171	5,861,171
transfers AUC	58,133	3,144,967	486,943	45,870	(3,735,913)	-
Impaired assets;						
cost	-	(9,828)	-	(2,406)	-	(12,234)
depreciation	-	4,077	-	413	-	4,490
Transfers between categories;						
cost	-	(216,569)	(26,980)	61,292	-	(182,257)
depreciation	-	160,835	14,200	7,222	-	182,257
Depreciation & Amortisation;						
charge for the year	-	(3,015,589)	(416,021)	(103,030)	-	(3,534,640)
At 30 June 2014 Net	**648,161**	**10,541,694**	**3,709,634**	**406,731**	**2,272,443**	**17,578,663**
At 30 June 2014						
Cost	648,161	20,490,606	5,141,114	680,601	2,272,443	29,232,925
Accumulated dep'n	-	(9,948,912)	(1,431,480)	(273,870)	-	(11,654,262)
Net carrying amount	**648,161**	**10,541,694**	**3,709,634**	**406,731**	**2,272,443**	**17,578,663**
At 1 July 2012	**-**	**6,107,593**	**1,736,982**	**284,302**	**620,425**	**8,749,302**
Additions;						
purchases	590,028	5,050,538	1,809,616	80,224	1,378,589	8,908,995
transfers AUC	-	1,415,493	359,265	77,071	(1,851,829)	-
Impaired assets;						
cost	-	(1,153,751)	(39,588)	(18,274)	-	(1,211,613)
depreciation	-	977,222	18,305	8,128	-	1,003,655
Sale of assets;						
cost	-	-	-	(29,488)	-	(29,488)
depreciation	-	-	-	22,296	-	22,296
Transfers between categories;						
cost	-	(94,065)	(18,674)	52,043	-	(60,696)
depreciation	-	49,771	5,660	5,265	-	60,696
Depreciation & Amortisation;						
charge for the year	-	(1,879,000)	(220,074)	(84,197)	-	(2,183,271)
At 30 June 2013 Net	**590,028**	**10,473,801**	**3,651,492**	**397,370**	**147,185**	**15,259,876**
At 30 June 2013						
Cost	590,028	17,572,036	4,681,151	575,845	147,185	23,566,245
Accumulated dep'n	-	(7,098,235)	(1,029,659)	(178,475)	-	(8,306,369)
Net carrying amount	**590,028**	**10,473,801**	**3,651,492**	**397,370**	**147,185**	**15,259,876**

13. PROPERTY, PLANT & EQUIPMENT (cont'd)

Other operating assets

Other operating assets represent the consolidation of the categories of Office Furniture & Equipment, Motor Vehicles and Low Value Pool assets.

Sale of assets

The net proceeds of any sale of assets after allowing for income received are reported in Note 4.

Transfers between categories

Transfers between categories represent those assets eligible to be consolidated as “Low Value Pool” assets under applicable guidelines issued by the Australian Taxation Office.

14. INTANGIBLES

	2014 $	2013 $
Balance at the beginning of the financial year	30,223,473	23,431,630
Additions	-	6,791,843
Balance at the end of the financial year	**30,223,473**	**30,223,473**

Business combinations

(i) Acquisition of corporate entities

No acquisition of a corporate entity was made during the reporting period.

(ii) Acquisition of business assets

No acquisition of a business asset was made during the reporting period.

Impairment testing for cash-generating units (CGU) containing goodwill

The Directors considered that, for accounting purposes under AASB 136 (excluding the operations of MDI Group Pty Ltd) a single CGU existed for the purposes of testing validation and any potential impairment charge applicable to the Goodwill valuation carried in the accounts of the Group.

The Directors have determined that the operations of MDI Group Pty Ltd represents a separate CGU for the purposes of testing validation and any potential impairment charge applicable to the Goodwill valuation carried in the financial statements of the Group as at 30 June 2014.

Impairment testing was based on value in use calculations for each individual CGU. The discount rate (post tax) to determine recoverable amount as at 30 June 2014 for the Capitol Health operating entity is 14.5% (2013: 11.2%) and for the MDI Group Pty Ltd operating entity is 16.0% (2013: 11.2%). Discounted cash flows for the total operating entity has been estimated, based on past performance and increased by 5% expected growth in revenue and expenditure rates for a period of 5 years. A terminal value has been calculated based on no growth and included in the recoverable amount as management believe that the imaging diagnostic services will still be delivered well beyond 5 years. Head office and parent entity administration costs have been included at estimated cost growth less efficiency gains for the period. If any of the assumptions above were to significantly alter in a negative manner then this may result in an impairment loss in the reported amount of goodwill for the Group.

	2014 $	2013 $
15. TRADE AND OTHER PAYABLES		
Trade creditors	2,016,002	1,535,683
Other creditors and accruals	2,383,861	2,516,034
	4,399,863	**4,051,717**

16. EMPLOYEE BENEFITS

	2014 $	2013 $
Current		
Annual Leave	3,034,260	2,603,090
Long Service Leave	1,893,066	1,769,498
	4,927,326	**4,372,588**
Non-Current		
Annual Leave	-	-
Long Service Leave	941,584	644,509
	941,584	**644,509**

17. SHARE BASED PAYMENTS

The Company operates an incentive scheme known as the Capitol Health Limited Incentive Option Scheme ("Scheme") approved at the general meeting held on 30 December 2005.

The maximum number of options that can be granted under the Scheme is determined by the Board in its discretion and in accordance with the Scheme and applicable law. There is no issue price for any options granted under the Scheme.

Each option is convertible to one ordinary share. The exercise price of the options is determined by the Board in its absolute discretion, subject to any minimum price specified in the Listing Rules of the ASX.

All options expire on the earlier of their expiry date or 30 days after the termination of the individual's employment.

There are no voting or dividend rights attaching to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

There are presently no options issued under the Scheme (2013: Nil) and no options were issued, exercised or expired under the Scheme during the year ended 30 June 2014 (2013: Nil).

18. LOANS AND BORROWINGS

This note provides information about the Company's and the Group's interest-bearing loans and borrowings. For more information about the Company's and the Group's exposure to interest rate and liquidity risk, see Note 22.

	2014 $	2013 $
Current		
Secured bank loan	1,000,000	1,000,000
Secured equipment finance facilities	2,094,899	1,722,369
	3,094,899	**2,722,369**
Non-Current		
Secured bank loan	5,500,000	6,500,000
Secured equipment finance facilities	2,899,027	3,023,618
	8,399,027	**9,523,618**

18. LOANS AND BORROWINGS (cont'd)

Terms of loans and borrowings

Secured bank loan and associated facilities

In April 2013 all existing loan and other facilities were consolidated into one single facility with contracted loan repayments over a maximum term of 7.5 years, principal and interest reducing, with selective redraw facility. The current facility is based on a 3 year term and will be reviewed in April 2017.

The facility is with the Westpac Banking Corporation and is secured by:
1. A first registered company charge by Capital Radiology Pty Ltd over the whole of its assets and undertakings; and
2. A guarantee unlimited as to the amount by Capitol Health Limited supported by a first registered company charge by Capitol Health Limited over the whole of its assets and undertakings.

Loan facilities bear interest at a Resultant Rate at 30 June 2014 of 3.55% (30 June 2013: 3.92%).

There are no financial covenants in place for the facility currently utilised.

Utilisation of secured facilities

	Facility $	Utilised $	Available $
At 30 June 2014			
Secured bank loan	11,000,000	6,500,000	4,500,000
Secured equipment finance	5,000,000	1,367,617	3,632,383
Rental guarantee	1,500,000	594,038	905,962
Credit card	150,000	38,979	111,021
	17,650,000	**8,500,634**	**9,149,366**
At 30 June 2013			
Secured bank loan	12,000,000	7,500,000	4,500,000
Secured equipment finance	5,000,000	-	5,000,000
Rental guarantee	1,850,272	350,272	1,500,000
Credit card	100,000	14,817	85,183
	18,950,272	**7,865,089**	**11,085,183**

Secured equipment finance facilities

Capital Radiology Pty Ltd entered into agreements for the purchase of assets during the financial year. These facilities bear interest at between 5.82% and 10.98% per annum.

Finance lease liabilities

The contractual cash flows of finance lease liabilities at maturity, including interest, are disclosed in Note 22.

	2014 $	2013 $

19. ISSUED CAPITAL AND RESERVES

Issued capital

	2014 $	2013 $
431,180,115 (2013: 430,432,121) fully paid ordinary shares	**31,541,850**	**31,200,739**

The following movements in issued capital occurred during the year:

	2014 Number of Shares	2014 $	2013 Number of Shares	2013 $
Balance at the beginning of the year	430,432,121	31,200,739	359,672,425	23,369,779
Issue of shares for radiology acquisition *	-	-	56,026,749	7,283,478
Share purchase plan	-	-	12,405,200	719,500
Dividend reinvestment plan	747,994	344,909	2,327,747	234,186
Share issue costs (Net of GST)	-	(3,798)	-	(406,204)
Balance at the end of the year	**431,180,115**	**31,541,850**	**430,432,121**	**31,200,739**

* 2013 acquisition of MDI operations.

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

Options

Options granted during the year

No options were granted during 2014.

Unissued shares under option

At balance date, there were no unissued ordinary shares of the Company under option.

	2014 $	2013 $

20. DIVIDENDS

Total dividends paid on ordinary shares during the year

Details of dividends paid during the year are contained within the Directors report.

Dividends not recognised at year end

In addition to the dividends recorded in the Directors report, since the end of the year the Directors have declared a final dividend of $0.005 per share (2013: $0.003) fully franked. The aggregate maximum amount of final dividend based on the ordinary shares on issue at the date of this report and to be paid out of retained profits at the end of the year, subject to any DRP election, but not recognised as a liability is;

	2014 $	2013 $
Final dividend	**2,155,901**	**1,291,296**

	2014 $	2013 $

21. RETAINED EARNINGS

	2014 $	2013 $
Retained earnings at the beginning of the year	2,904,547	1,095,194
Profit for the year	7,232,870	3,627,361
Dividends issued during the year	(3,014,496)	(1,818,008)
Retained earnings at the end of the year	**7,122,921**	**2,904,547**

22. FINANCIAL INSTRUMENTS DISCLOSURE

The Group's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable, accounts payable, bank loans and finance leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies of these financial statements, are as follows;

Financial assets

Current

	2014 $	2013 $
Cash and cash equivalents	9,119,541	6,126,610
Trade and other receivables	2,264,082	2,196,480
Financial assets held to maturity	136,103	487,860
Investment in un-listed entity	276,833	-
	11,796,559	**8,810,950**

Financial liabilities

Current

	2014 $	2013 $
Trade and other payables at amortised cost	4,399,863	4,051,717
Bank loans at amortised cost	1,000,000	1,000,000
Finance facilities at amortised cost	2,094,899	1,722,369
	7,494,762	**6,774,086**

Non-Current

	2014 $	2013 $
Bank loans at amortised cost	5,500,000	6,500,000
Finance facilities at amortised cost	2,899,027	3,023,618
	8,399,027	**9,523,618**
	15,893,789	**16,297,704**

22. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Credit risk

Exposure to credit risk

The above carrying amount of the Group's financial assets represents the maximum credit exposure.

Impairment losses

The ageing of the Group's financial assets at reporting date was;

	Gross 2014 $	Impairment 2014 $	Gross 2013 $	Impairment 2013 $
Due 0-30 days	11,129,435	-	7,936,843	-
Due 31-120 days	254,188	-	317,602	-
Due 121 days to one year	-	-	115,063	(48,123)
More than one year	412,936	-	499,254	(9,689)
	11,796,559	**-**	**8,868,762**	**(57,812)**

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible – at that point the amount is considered irrecoverable and is written off against the financial asset directly.

There was a net write-back for impairment in respect of trade receivables during the year of $57,812 (2013: $23,220).

At 30 June 2014 the Group has no collective impairment allowance on its trade receivables (2013: $57,812).

Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and applicable GST at the reporting date;

	Carrying amount $	Contractual cash flows $	Less than 1 year $	1- 5 years $
30 June 2014				
Trade and other payables	4,399,863	(4,399,863)	(4,399,863)	-
Secured bank loans	6,500,000	(6,500,000)	(1,000,000)	(5,500,000)
Secured equipment finance	4,993,926	(5,594,822)	(2,541,413)	(3,053,409)
Unsecured loan	-	-	-	-
	15,893,789	**(16,494,685)**	**(7,941,276)**	**(8,553,409)**
30 June 2013				
Trade and other payables	4,051,717	(4,051,717)	(4,051,717)	-
Secured bank loans	7,500,000	(7,500,000)	(1,000,000)	(6,500,000)
Secured equipment finance	4,745,987	(5,599,059)	(2,122,150)	(3,476,909)
Unsecured loan	-	-	-	-
	16,297,704	**(17,150,776)**	**(7,173,867)**	**(9,976,909)**

22. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest bearing financial instruments was;

	2014 $	2013 $
Carrying Amount;		
Fixed rate instruments		
Financial assets	136,103	487,860
Financial liabilities	(4,993,926)	(4,745,987)
	(4,857,823)	**(4,258,127)**
Variable rate instruments		
Financial assets	9,119,541	6,126,610
Financial liabilities	(6,500,000)	(7,500,000)
	2,619,541	**(1,373,390)**

Variable rate instruments

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The reasonable change has been calculated on the basis of historical changes in interest rates. This analysis assumes that all other variables remain constant. The analysis included a review of current volatility factors in the market has resulted in management believing that there are reasonable grounds to retain the methods and assumptions from the previous period as unchanged.

	Profit or loss		Equity	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Cash flow sensitivity - variable rate instruments				
As at 30 June 2014	**26,195**	**(26,195)**	**26,195**	**(26,195)**
As at 30 June 2013	**(13,734)**	**13,734**	**(13,734)**	**13,734**

The disclosure is shown before the application of any tax effect.

Fair value of financial instruments

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

	2014 $	2013 $

23. COMMITMENTS

Future operating lease rentals not provided for in the financial statements and payable;

Property and facility operating lease commitments

	2014 $	2013 $
Future operating lease rentals not provided for in the financial statements and payable:		
Within one year	5,331,675	3,916,102
One year or later and no later than five years	9,812,759	7,228,110
More than five years	241,846	-
	15,386,280	**11,144,212**

The Group leases properties and facilities under operating leases. The leases typically run for a period of 3 to 10 years with an option to renew after that date.

Plant and equipment operating lease commitments

	2014 $	2013 $
Within one year	2,432,707	2,743,679
One year or later and no later than five years	4,908,067	4,265,225
	7,340,774	**7,008,904**

The Group leases plant and equipment under operating leases. The leases typically run for a period of 3 to 10 years and are not renewed after that date.

During the year ended 30 June 2014 $7,672,642 was recognised as an expense in the statement of comprehensive income in respect of operating property, plant and equipment leases (2013: $6,395,682).

24. CONTINGENCIES

Contingent liabilities

a. Rental Guarantees

The Group has an obligation to provide rental property guarantees when requested by the owners of rented premises which may be classed as a contingent liability unless supported by value for value specific deposits.

As at 30 June 2014 rental guarantees not supported by a dedicated deposit totalled $594,038 (2013: $Nil).

b. Credit Cards

The Group has a contingent liability for expenses incurred on Corporate Credit cards that may not be recorded on banking statements at year end. The maximum extent of liability is indicated in Note 18.

	2014 $	2013 $

25. EARNINGS PER SHARE

Profit attributable to ordinary shareholders

	2014 $	2013 $
Net profit for the year	**7,232,870**	**3,627,361**

Earnings per share

As there is no effect of share options on issue (2013: Nil), there is no variation between basic and diluted earnings per share.

The calculation of earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of $7,232,870 (2013: $3,627,361) and a weighted number of ordinary share outstanding during the financial year ended 30 June 2014 of 430,752,757 (2013: 387,320,778) calculated in the table below:

	2014 Number	2013 Number
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	430,432,121	359,672,425
Shares issued for acquisition	-	16,884,774
Shares issued under Dividend Reinvestment Plan	320,636	1,145,301
Shares issued for purchase plan	-	9,618,278
	430,752,757	**387,320,778**

26. CONTROLLED ENTITIES

The Parent Entity is Capitol Health Limited, a company incorporated in Australia.

Controlled entity	Country of Incorporation	2014 Entity interest	2013 Entity interest
CHL Operations Pty Ltd	Australia	100%	100%
Capital Radiology Pty Ltd	Australia	100%	100%
Radiology One Pty Ltd	Australia	100%	100%
MDI Group Pty Ltd	Australia	100%	100%
MDI Radiology Pty Ltd	Australia	100%	100%
MDI Malvern Pty Ltd	Australia	100%	100%
MDI Manningham Pty Ltd	Australia	100%	100%
MDI Monash Pty Ltd	Australia	100%	100%
MDI Operations Pty Ltd	Australia	100%	100%
Melbourne Diagnostic Imaging Pty Ltd	Australia	100%	100%
Molecular Diagnostic Imaging Pty Ltd	Australia	100%	100%
XMR Pty Ltd	Australia	De-registered	76%

In the financial statements of the Company investments in subsidiaries are measured at cost. All entity interests held are fully paid ordinary shares.

27. DISCONTINUED OPERATIONS

There were no discontinued operations during the current or prior reporting period.

28. RELATED PARTIES

Key management personnel remuneration

	2014 $	2013 $
Short-term employee benefits	794,371	729,839
Post-employment benefits	59,837	55,315
Long-term employee benefits	18,002	29,518
	872,210	**814,672**

Individual key management personnel compensation disclosures

Information regarding individual key management personnel compensation as required by Corporation Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors Report on pages 8 to 10.

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, may hold interests or positions in other entities that may result in them having control or significant influence over the financial or operating policies of those entities. A number of those entities may have transacted with the Company or its subsidiaries during the year.

The Boards directive is that the terms and conditions of such transactions are to be no more favourable to the supplier than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis. Transactions of this nature are expected to meet the allowable criteria as stated in Chapter 2E of the Corporations Act. Any known or intended transactions of this type are expected to be disclosed to the Board.

The Boards preference is not to enter into any such transactions where a viable non-related alternative exists.

The following is a recorded transaction of this type in 2014 (2013: Nil).

Directors	**Transaction**	**Transaction value year ended 30 June**		**Balance outstanding as at 30 June**	
		2014	**2013**	**2014**	**2013**
Mr J Conidi	Note (i) - Rent expenses	80,000	-	-	-

Notes in relation to the table of related party transactions

(i) A superannuation fund of which Mr Conidi is amongst its beneficiaries has acquired an interest in the ownership of commercial premises that provide rental accommodation for a single facility of the consolidated entity. Terms for such accommodation was based on market rates, generally accepted market lease terms & conditions and amounts are payable on a monthly basis.

Options and rights over equity instruments

During the reporting period there were no options over ordinary shares in Capitol Health Limited granted, vested but not exercisable, exercised, held directly, indirectly or beneficially by each key management person, including their related entities.

28. RELATED PARTIES (cont'd)

Movement in shares

The movement during the reporting period in the number of ordinary shares over ordinary shares in Capitol Health Limited held directly, indirectly or beneficially by each key management person, including their related entities is as follows:

Directors	Held at year opening	Purchases	Disposals	Held at year end
2014				
Mr J Conidi	32,626,264	-	-	32,626,264
Mr A Harrison	3,508,772	-	-	3,508,772
Mr D Kucera	1,427,238	22,014	(113,577)	1,335,675
Mr S Sewell	109,264	1,686	-	110,950
2013				
Mr J Conidi	32,626,264	-	-	32,626,264
Mr A Harrison	13,400,001	-	(9,891,229)	3,508,772
Mr D Kucera	1,406,432	20,806	-	1,427,238
Mr S Sewell	104,082	5,182	-	109,264

No shares were granted to key management personnel during the reporting period or prior reporting period as compensation.

29. SEGMENT INFORMATION

Business segments

The Group comprises the single business segment of the acquisition and operation of diagnostic imaging facilities.

Geographic segments

The diagnostic imaging segment operates from the single geographic segment of Australia. The segment is defined by the national registration available for diagnostic imaging. Given the data transmission infrastructure and techniques employed by the segment, further sub-division of the geographic area is deemed unnecessary.

Segment results

As the Group operates in a single business and geographic segment, no disclosure in this note is required.

	2014 $	2013 $

30. RECONCILIATION OF CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

	2014 $	2013 $
Cash flows from operating activities		
Profit for the year	7,232,870	3,627,361
Adjustments for;		
Depreciation and amortisation	3,534,640	2,183,271
Impairment of assets	7,744	207,958
Net gain on sale of assets	-	20,656
Income tax expense	2,957,929	1,685,715
Operating profit before changes in working capital & provisions	**13,733,183**	**7,724,961**
Change in trade and other receivables	(67,602)	(1,133,751)
Change in net other assets	(2,609,381)	(1,779,498)
Change in trade and other payables	13,746	785,861
Change in provisions and employee benefits	1,043,598	794,956
Net cash provided by operating activities	**12,113,544**	**6,392,529**

31. PARENT ENTITY DISCLOSURES

Financial information

	2014 $	2013 $
Current Assets	(20)	350,355
Total Assets	**31,541,850**	**31,200,739**
Issued capital (see Note 19)	31,541,850	31,200,739
Total Equity	**31,541,850**	**31,200,739**
Guarantees	**12,094,822**	**13,099,059**

No dividend from a controlled entity was accrued in 2014 (2013: $Nil).

Guarantees

Cross guarantees have been provided by the Company and its controlled entities as listed in Note 23. The fair value of cross guarantees has been assessed as $Nil based on the underlying performance of the entities in the closed Group.

The parent entity has provided financial guarantees in respect of bank overdrafts, finance leases and loans of the subsidiaries amounting to $12,094,822 (2013: $13,099,059), secured by a first registered charge over the assets of the entity.

Other commitments

The Company has no commitments to acquire plant and equipment (2013: $Nil) and has no contingent liabilities.

32. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to balance date the Company declared a final dividend for the financial year ending 30 June 2014 of $0.005 per share (2013: $0.003), with a maximum dividend payable subject to elections under the Company's Dividend Reinvestment Plan of $2,155,901 (2013: $1,219,296).

In the opinion of the Directors of Capitol Health Limited:

(a) the financial statements and notes thereto and the Remuneration Report contained in the Directors' Report, set out on pages 8 to 10, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2014 and their performance for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards;

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act for the financial year ending 30 June 2014.

Signed in accordance with a resolution of the Directors.

John Conidi
Managing Director

Dated at Melbourne, Victoria this 11th day of August 2014.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITOL HEALTH LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Capitol Health Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

RSM Bird Cameron Partners

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Capitol Health Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Capitol Health Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year then ended; and

 (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 10 of the directors' report for the financial year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Capitol Health Limited for the financial year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001.*

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

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R B MIANO
Partner

Dated: 11 August 2014
Melbourne, Victoria

The Board and management of Capitol Health Limited ("Capitol Health" or the "Company") recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a proper system of corporate governance. The Company believes that good corporate governance adds value to stakeholders and enhances investor confidence.

The Company acknowledges the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (2nd Edition) (the "Recommendations"). This Corporate Governance Statement provides details of the Company's compliance with those Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation.

The Company's corporate governance policies are available on the Company's website: www.capitolhealth.com.au. This statement reflects Capitol Health's corporate governance system in place during the financial year and as at the date of this report.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation	Requirement	Comply Yes/ No
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes

Commentary

The Board Charter sets out the functions and responsibilities of the Board of Capitol Health Limited, and is available on the Capitol Health website.

The performance of senior executives is evaluated in accordance with the Performance Evaluation Process (available on the Company's website). A performance evaluation for senior executives has taken place in the reporting period and was in accordance with the process disclosed.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation	Requirement	Comply Yes/ No
Rec 2.1	A majority of the board should be independent directors.	No
Rec 2.2	The chair should be an independent director.	No
Rec 2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	No
Rec 2.4	The board should establish a nomination committee.	Yes
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2.	Yes

Commentary

The Board consists of the Managing Director, an executive director and two non-executive directors. Details of their skills, experience and expertise and the period of office held by each have been included in the Directors' Report. The number of Board and Committee meetings and the attendance of the directors are set out in the Directors' Report.

The Company has yet to appoint a chair of the Board and is therefore at variance with Recommendation 2.2 in that the Board does not have an independent chair. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to warrant the appointment of an additional director to perform the function of an independent chair.

The Board has assessed the independence of the non-executive directors using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1.

Mr Sewell holds 110,950 fully paid ordinary shares in the Company. The Board considers this an immaterial volume. He is regarded as independent as he is not a substantial shareholder as defined by the *Corporations Act*.

Mr Harrison was the Company's founding Managing Director, a role he relinquished in 2007. Mr Harrison holds 3,508,772 fully paid ordinary shares in the Company. The Board considers this an immaterial volume. He is regarded as independent as he has not held an executive position in the Company since 2007 and is not a substantial shareholder as defined by the *Corporations Act*.

Due to the number of members on the Board, the Company is at variance with Recommendation 2.1 in that the majority of directors are not independent. The directors have determined that the current composition of the Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.1, all directors bring an independent judgement to bear on Board decisions.

The performance of the Board, its committees and individual directors are evaluated in accordance with the Performance Evaluation Process. Performance evaluations have taken place in the reporting period and were carried out in accordance with the process disclosed.

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties.

The Nomination and Remuneration Committee Charter and the policy for Appointment and Selection of New Directors are available on the Capitol Health website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation	**Requirement**	**Comply Yes/ No**
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: ▪ the practices necessary to maintain confidence in the company's integrity; ▪ the practices necessary to take account of their legal obligations and the reasonable expectations of their stakeholders; and ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	No
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes

Commentary

The Company's Code of Conduct is available on the Capitol Health website.

The Board does not currently have a stand-alone policy regarding the gender, age, ethnic and cultural diversity of its directors and senior executives. Given the size of the Company, the nature of the employment structure and the limited number of Board and senior executive positions available in addition to the tight labour market for skilled employees for the sector, the Company does not expect to develop such a policy in this regard for the near future. Nevertheless, as and when circumstances warrant, the Board will take into consideration diversity as one of the criteria in formulating decisions.

The proportion of women within the organisation on an FTE basis is as follows:

- women on the Board 0%
- women in senior executive positions 38%
- all other women employees in the Group 70%

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation	Requirement	Comply Yes/ No
Rec 4.1	The board should establish an audit committee.	Yes
Rec 4.2	The audit committee should be structured so that it: ▪ consists only of non-executive directors; ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair, who is not the chair of the board; and ▪ has at least three members.	No
Rec 4.3	The audit committee should have a formal charter.	Yes
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes

Commentary

The Audit and Risk Committee Charter is available on the Capitol Health website. The Charter reflects the matters set out in the commentary and guidance for Recommendation 4.3.

The Company is at variance with Recommendation 4.2 in that the Committee does not consist of at least three members due to the number of non-executive members on the Board. However, the Board considers that the present composition is appropriate and is of a sufficient size and possesses sufficient technical expertise to discharge its mandate effectively. The Audit and Risk Committee consists of two non-executive members and is chaired by Mr Sewell.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation	Requirement	Comply Yes/ No
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes

Commentary

The Company's Continuous Disclosure Policy is available on the Capitol Health website. The Continuous Disclosure Policy sets out the key obligations of directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation	Requirement	Comply Yes/ No
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
Rec 6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes

Commentary

The Company's Shareholder Communications Policy is available on the Capitol Health website. The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation	Requirement	Comply Yes/ No
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes

Commentary

The Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control. The Risk Management Policy is available on the Capitol Health website.

Capitol Health's risk management framework is supported by the Board of Directors, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee also has delegated responsibilities in relation to risk management and the financial reporting process as set out in the Audit and Risk Committee Charter.

When considering the Audit and Risk Committee's review of financial reports, the Board receives a written statement declaration in accordance with section 295A of the *Corporations Act*, signed by the Managing Director and Chief Financial Officer (or equivalents), that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the Managing Director (or equivalent) and the Chairman of the Audit and Risk Committee also confirm to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation	Requirement	Comply Yes/ No
Rec 8.1	The board should establish a remuneration committee.	Yes
Rec 8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members.	Yes
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

Commentary

The Nomination and Remuneration Committee Charter is available on the Capitol Health website. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1.

The Nomination and Remuneration Committee consists of three members and is chaired by an independent non-executive director, Mr Harrison.

Details of shares and options as at 6 August 2014:

Top holders

The 20 largest holders of each class of equity security as at 6 August 2014 were:

Fully paid ordinary shares

Name	No. of Shares	%
Idinoc Pty Ltd <J & R Conidi Family A/C>	28,912,886	6.71
National Nominees Limited	27,733,336	6.43
J P Morgan Nominees Australia Limited	22,921,826	5.32
HSBC Custody Nominees (Australia) Limited	21,791,573	5.05
Nick Conidi Pty Ltd <Conidi Family A/C>	16,414,740	3.81
Gia Chau Pty Ltd	15,500,000	3.59
BNP Paribas Nominees Pty Ltd <DRP>	15,095,735	3.50
Mr Peter Hunt + Mrs Janette Hunt <Hunt Super Fund A/C>	13,000,000	3.01
UBS Nominees Pty Ltd	11,694,432	2.71
Ms Stella Janice Ha + Mr Andrew Juen-Fai Ha <Stelhaven Super Fund A/C>	9,677,419	2.24
Ms Stella Ha	8,057,333	1.87
Monaco Bond Pty Ltd <Mobilio Family A/C>	6,000,000	1.39
Mr Wayne David McGregor	5,944,869	1.38
Citicorp Nominees Pty Limited	5,722,485	1.33
Sandhurst Trustees Ltd <Endeavor Asset Mgmt MDA A/C>	5,669,923	1.31
Teleah Pty Ltd <JR Sauvey Super Fund A/C>	4,000,000	0.93
Mr Ian Davies	3,600,000	0.83
Mr Andrew Harrison + Mrs Katrina Harrison <Harrison Super Fund A/C>	3,508,772	0.81
Gang – Gang Pty Ltd <Pippa A/C>	3,400,000	0.79
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	3,193,031	0.74
	231,838,360	**53.75**

Distribution schedules

A distribution of each class of equity security as at 6 August 2014:

Fully paid ordinary shares

Range	Holders	Units	%
1 - 1,000	176	69,067	0.02
1,001 - 5,000	1,119	3,353,930	0.77
5,001 - 10,000	920	7,603,864	1.76
10,001 - 100,000	2,203	74,401,686	17.26
100,001 - Over	346	345,751,568	80.19
Total	**4,764**	**431,180,115**	**100.00**

Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Substantial shareholder	Number of Shares
Idinoc Pty Ltd	30,866,409
Acorn Capital Limited	28,061,209
Peter Hunt and Janette Hunt	24,949,072

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 944 as at 6 August 2014):

Holders	Units
123	**16,394**

Voting Rights

The voting rights attaching to ordinary shares are:

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

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

END OF REPORT