CAPITOL HEALTH LIMITED

ABN 84 117 391 812

2008 ANNUAL REPORT

CORPORATE DIRECTORY

Directors

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

Auditor

BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd
The Rialto, 525 Collins Street
Melbourne, Victoria, 3000

Company Secretary

Mr Kim Hogg

Solicitors

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

Principal Place of Business

Level 1, 952 Mount Alexander Road
Essendon, Victoria, 3040

Telephone: (61-3) 8383 6515
Facsimile: (61-3) 9370 0336

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia, 6000

Telephone: (61-8) 9323 2000
Facsimile: (61-8) 9323 2033

Registered Office

79 Broadway
Nedlands, Western Australia, 6009

Telephone: (61-8) 6389 2688
Facsimile: (61-8) 6389 2588

Stock Exchange

Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
Perth, Western Australia, 6000

ASX Code: CAJ

CAPITOLHEALTH LIMITED

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Dear Shareholder,

It is my pleasure to present the Annual Report for 2007/8 for Capitol Health Limited.

This has been an exciting year of challenging growth and change for the Company. In the 2006/7 Annual Report the Company indicated that it would pursue an aggressive expansion policy to provide for an overall increase in shareholder wealth and this has indeed occurred.

During the 2008 financial year the consolidated entity broadened its focus into the associated healthcare field of diagnostic imaging. The private sector of the Australian diagnostic imaging market generates around $2 billion in annual revenue from over 1,000 clinics across the country. Growth in the overall market is largely driven by the ageing population and new developments in technology, which in turn leads to increased referral for diagnostic imaging services. As a result, the consolidated entity was confident its entry into this field would lay a solid foundation for growth of future earnings and also provide greater opportunities for both organic and acquisitive expansion.

The Operating and Financial Review provides detail of the further expansion of the consolidated entity into the imaging field over and above that previewed in the 2006/7 Annual Report. The Board estimates that the group is now probably the third ranked provider of radiology and associated services in the Victorian market.

The coming financial year holds its own challenges in bedding down the dramatic growth in the Company and ensuring that further efficiencies can be made with the integration of the various operating units that comprise the 3 acquisitions made in 2007/8 without compromising service standards and delivery.

The Company is expected to provide a substantial positive cash-flow at an operational level, but shareholders should be aware that the company may demand heavy capital expenditure by the very nature of its business. The Board will ensure that investment into the company will primarily be for direct income-producing or expense-reduction assets. However, the group is in the favourable position of funding most assets through future cash flows - rather than imposing structured debt onto the consolidated entity.

Emphasis within the group on cost control and efficiency, without impinging on the standard of service provided, places the consolidated entity at a comparable competitive advantage over similar providers who require high premiums over the standard Medical Benefits Schedule rebate in order to continue their operations.

Overall, the results for the 2008 financial year reflect the rapid expansion and re-focusing of the Company's operations and strategy.

On behalf of the Directors I would like to thank our Shareholders for their continued support and Staff for their efforts during this completed year and the year ahead.

I would also like to express sincere gratitude to the recently retired Director, Mr Anthony Ho, for his valued contribution to the Company from its inception, through transformation, to our current strong position.

The Board is confident in the future of the enterprise and commends this report to the shareholders.

John Conidi
Managing Director

Melbourne, Victoria

30 September 2008

The directors present their report together with the financial report of Capitol Health Limited (the "Company") and of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2008, 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 Group's operations. Mr Conidi has over 7 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 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. He has worked in Primary, Secondary and Tertiary (service) industries for extensive periods of time. His last role in a public company was as Chief Financial Officer for Sirius Telecommunications Ltd (ASX code SIU - now named as Sirius Corporation Ltd) for a period of 5 years between its initial listing in 2000 to 2005. Previous employers include ICI Australia Ltd (now Orica), Brambles, Ticketmaster and the Porta Group of companies. Mr Kucera has held ultimate responsibility in his various roles for the Finance, Human Resources and IT functions for the companies or business units under his control.

Mr Kucera will be seeking re-election by shareholders at the 2008 Annual General Meeting.

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

Mr Harrison has significant experience in both senior management and board positions in publicly listed companies. He has held senior positions in a number of major organisations. Prior to forming Capitol Health Limited, Mr Harrison was Managing Director of Neptune Marine Services Limited, and played an integral role in the initial public offering of that company in April 2004. He was a non-executive director of ASX listed Neptune Marine Services Limited until February 2006, and is currently a Non Executive Director of C @ Limited, an ASX listed company.

Previously he has worked as a management consultant for such clients as Chubb Australasia and has been CEO of a Melbourne based marketing consultancy. Mr Harrison also holds a Bachelor of Commerce (Honours) in Marketing and Commercial Law from Curtin University in Western Australia, and is a member of the Australian Institute of Company Directors.

Mr Harrison will be retiring by rotation and seeking re-election by shareholders at the 2008 Annual General Meeting.

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

Mr Sewell is a Division Director of the Real Estate Group of Macquarie Bank Limited and is the CEO of the Macquarie CountryWide Trust, with overall responsibility for the Trust's business operations and investment strategy. Macquarie CountryWide Trust is an ASX listed real estate investment trust, currently owning a portfolio of over 270 retail properties in five countries with a value in excess of A$5.4b.

Mr Sewell has over ten years in the property investment and management industry. He is an active member of the Retail Lease Law and Planning sub-committee of the Shopping Centre Council of Australia. He is a graduate in Science from the University of Melbourne and The Geelong College.

Mr Sewell will be seeking re-election by shareholders at the 2008 Annual General Meeting.

Dr Russell Fine, BSc, BDSc
Non- Executive Director - Appointed 1 December 2005, Resigned 30 August 2007

Mr Anthony Ho, BCom, CA
Non-Executive Director – Appointed 1 December 2005, Resigned 7 July 2008

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:

Director	Company	Period of directorship From	To
Mr J Conidi	Nil	-	-
Mr D Kucera	Nil	-	-
Mr A Harrison	C @ Limited	2005	Present
	Neptune Marine Services Limited	2003	21 February 2006
Mr S Sewell	Nil	-	-
Mr A Ho	Redisland Australia Limited	2003	Present
	Brumby Resources Limited	2006	Present
	Vmoto Limited	2002	30 June 2006

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 Held	Board Meetings Attended	Audit Committee Meetings Held	Audit Committee Meetings Attended	Remuneration Committee Meetings Held	Remuneration Committee Meetings Attended
Mr J Conidi	5	5	-	-	-	-
Mr A Harrison	5	5	-	-	-	-
Mr S Sewell	1	1	-	-	-	-
Dr R Fine	-	-	1	1	-	-
Mr A Ho	5	5	1	1	-	-

Details on the committees and their members can be found in the Corporate Governance Statement on pages 13 - 16.

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

Operating review

As indicated in the Managing Directors Review, the financial year 2007/8 has been one of substantive change in nearly all facets of the business. These changes are detailed below.

Radiology Operations

On 4 July 2007, the Company acquired 100% of the issued capital in Capitol Radiology Pty Ltd, a company registered in Western Australia, for a consideration of $1.00. The Company's intention being to operate its proposed diagnostic imaging operations through this wholly owned subsidiary.

Following shareholder approval obtained in August 2007, the consolidated entity completed the acquisition of a 100% interest in 5 entities containing 7 radiology clinics located across metropolitan Melbourne, Victoria. Consideration for the acquisition was $14,8m satisfied by the issue of 183 million fully paid ordinary shares at a deemed issue price of 8 cents per share, and 10 million unlisted options exercisable at 20 cents each on or before 31 March 2010.

OPERATING AND FINANCIAL REVIEW (cont'd)

Operating review (cont'd)

Radiology Operations (cont'd)

In October 2007, the consolidated entity opened Moreland Radiology, a new radiology clinic located in Brunswick, north of the Melbourne CBD. This new site was funded through existing cash flow and financing facilities.

In December 2007, the Company completed a $2.5 million placement of 27.78 million fully paid ordinary shares in the Company at 9 cents per share to fund future acquisitions.

In January 2008, the consolidated entity acquired South East Medical Imaging ("SEMI") containing a further 2 radiology clinics operating in Melbourne for a consideration of $3.26 million satisfied by cash, vendor finance and assumption of lease and employee benefits liabilities.

Additionally in January 2008 the consolidated entity opened a further radiology clinic at Boronia, again being funded through internal cash flow.

In March 2008, the consolidated entity acquired Bell Imaging ("Bell") containing 9 radiology clinics in metropolitan Melbourne for a consideration of $5.014 million satisfied by the payment of cash, the assumption of finance lease and employee entitlement liabilities, the issue of 11,538,462 fully paid ordinary shares at a deemed issue price of 6.5 cents per share, and deferred consideration payable upon the achievement of certain targets in the year after settlement.

At the end of the financial year the consolidated entity was operating 20 radiology clinics or associated sites in Victoria, primarily in the greater Melbourne area. This total is net of new sites opened and those from the acquisitions that have been closed through amalgamation with other sites in the same geographical area.

Dental Operations

During the financial year, the consolidated entity undertook a detailed review of its dental operations segment. Subsequent to which the Board committed to a plan to sell this segment due to a strategic decision to place greater focus on the consolidated entity's key competencies, being the diagnostic imaging operations.

As a result, the consolidated entity disposed of goodwill, inventory and property, plant and equipment associated with Booragoon Dental Clinic for total consideration of $550,000 in November 2007.

In May 2008, the consolidated entity also disposed of goodwill, inventory and property, plant and equipment associated with Banksia Dental Care for consideration of $77,000.

Subsequent to balance date, the consolidated entity disposed of goodwill, inventory and property, plant and equipment associated with Kalamunda Dental Care for consideration of $295,000. This sale, settled in August 2008, completed the consolidated entity's divestment of its dental operations segment. The results for the financial year include a disposal provision and actual expenses for this transaction, in line with relevant accounting standards. The expense value of this transaction is $344,760.

Movement of Principal Office and Board Changes

Following cessation of operational activities in Western Australia, the consolidated entity is relocating all management and operations to Melbourne, Victoria. In line with this relocation and expected growth in the diagnostic imaging operations the Board has been restructured.

Mr John Conidi took on the role of Managing Director and Mr Andrew Harrison assumed the role of a Non-Executive director.

Mr Steven Sewell was appointed as Non-Executive Director if February 2008.

Subsequent to the financial year end Mr Anthony Ho resigned as Non-Executive Director and Mr Dominik Kucera was appointed Chief Financial Officer and an Executive Director of the Company.

OPERATING AND FINANCIAL REVIEW (cont'd)

Financial review

Due to the series of acquisitions and disposals over the course of the financial year the consolidated financial results do not yet represent a normalized or full year of operations for the business as it is currently structured.

On 4 August 2008 the Company issued an Investor Presentation to the ASX indicating an un-audited Net Profit Before Tax and Abnormals (relating to the dental asset disposal) result of $697,000. The final comparable actual figure is $698,951.

The profit for the year includes asset diminution and actual expenses finalised at $344,760 for the post-balance day transactions relating to the disposal of dental assets.

The consolidated entity's financial performance was in-line with management expectations generating a profit before tax of $354,191 (2007: loss of $966,327) for both continuing and discontinued operations combined.

The consolidated entity's net profit after tax for the year was $214,521 (2007: loss $966,327) after allowing for taxation expense of $139,670 (2007: nil).

Environmental regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity 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 consolidated entity.

Significant Changes in the State of Affairs

The consolidated entity's net assets increased by $18,012,856 to $18,681,976 (2007: $669,120) during the financial year. The net increase in net assets principally comprised:

(a) an increase in cash and cash equivalents of $1,734,105 due to the completion of a $2.5 million placement of 27.78 million fully paid ordinary shares in the Company at 9 cents per share and the incurrence of general working capital costs;

(b) an increase in intangibles of $21,444,514 and property, plant and equipment of $2,531,344 as a result of the acquisition of radiology clinics and the associated facilities and equipment and the disposal of Booragoon Dental Clinic and Banksia Dental Care and the associated facilities and equipment;

(c) an increase in loans and borrowings of $6,853,502 and employee benefits of $1,120,088 as a result of secured equipment finance liabilities and employee entitlements assumed on acquisition of radiology clinics.

Fully paid ordinary shares issued during the year are as follows:

(a) the issue of 183,000,000 fully paid ordinary shares at a deemed issue price of $0.08 per share to vendors of radiology clinics for a total of $14,640,000;

(b) the issue of 27,777,778 fully paid ordinary shares at $0.09 per share to raise $2,500,000;

(c) the issue of 11,538,462 fully paid ordinary shares at a deemed issue price of $0.065 per share to vendors of Bell for a total of $750,000.

Total shares on issue at 30 June 2008 are 278,416,241.

RESULTS

The consolidated entity made a net profit of $214,521 (2007: loss of $966,327) after income tax for the financial year.

DIVIDENDS

No dividend has been declared or paid by the Company to the date of this Report.

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date, the consolidated entity entered into a Business Sale agreement under which it disposed of goodwill, inventory and property, plant and equipment associated with Kalamunda Dental Care for a consideration of $295,000. The financial effect of the above transaction has not been brought to account in the financial statements for the year ended 30 June 2008.

LIKELY DEVELOPMENTS

The consolidated entity 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 consolidated entity in future financial years.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have not been included in this report because disclosure of such information would likely result in unreasonable prejudice to the consolidated entity.

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	Unlisted Options
Mr J Conidi[1]	26,546,332	-
Mr D Kucera	-	-
Mr A Harrison[2]	13,400,001	5,000,000
Mr S Sewell	100,000	-

1. Includes 24,054,672 shares held indirectly by Idinoc Pty Ltd as trustee for the J&R Conidi Family Account, of which Mr Conidi is a director, joint trustee and beneficiary. 2,491,660 shares are held indirectly by Monteleone Melbourne Pty Ltd, of which Mr Conidi is a director and shareholder.
2. Includes 13,400,000 shares and 5,000,000 options held indirectly by Relentless Corporation Pty Ltd as trustee for the Sun Tzu Trust. Mr Harrison is a director and a beneficiary of that trust.

OPTIONS

Options granted

During or since the end of the financial year, the Company granted the following options over unissued ordinary shares:

Class	Expiry Date	Exercise Price	Number of Options
Unlisted Options	31 March 2010	$0.20	10,000,000

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Class	Expiry Date	Exercise Price	Number of Options
Unlisted Options	31 March 2010	$0.20	20,000,000
Incentive Options	26 September 2010	$0.25	250,000

None of these options were exercised during the financial year. These options do not entitle the holder to participate in any share issue of the Company or any other entity.

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, BDO Kendalls, did not provide any non-audit services during the year.

Details of the amounts paid to the auditor of the Company, BDO Kendalls, and its related practices for audit and non-audit services provided during the year are set out below:

	Consolidated 2008 $	Consolidated 2007 $
Audit services:		
Auditors of the Company		
- audit and review of financial reports (BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd)	65,000	-
Other auditors		
- audit and review of financial reports (non-BDO Kendalls firms)	13,845	34,606
	78,845	34,606
Services other than statutory audit:		
Other services	-	-

AUDITOR'S INDEPENDENCE DECLARATION

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

AUDITED REMUNERATION REPORT

A: PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The directors have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity. The Board has established a remuneration committee, comprising the two non-executive directors, which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for its key management personnel. The Corporate Governance Statement provides further information on the role of this committee.

Compensation levels for key management personnel of the Company and the consolidated entity 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 consolidated entity's performance including:
  - the consolidated entity's earnings, and
  - the growth in share price and delivering constant returns on shareholder wealth.

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 consolidated entity.

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 did not receive short-term incentives during the 2007 or 2008 reporting periods.

Long-term incentives

Long-term incentives are provided to key management personnel via the Capitol Health Limited Incentive Option Scheme ("Scheme") (refer to Note 17 to the financial statements). There were no options granted as compensation to key management personnel during the reporting period.

Non-executive directors' fees

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2005 General Meeting, is not to exceed $150,000 per annum. Non-executive directors do not receive performance related compensation. Directors' fees cover all main board activities and membership of committees.

B: 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:

Directors

Name	Position held
Mr A Harrison	Managing Director
Mr J Conidi	Executive Director (appointed 30 August 2007)
Mr A Ho	Non-Executive Director (appointed 1 December 2005, resigned 7 July 2008)
Mr S Sewell	Non-Executive Director (appointed 6 February 2008)
Dr R Fine	Non-Executive Director (appointed 1 December 2005, resigned 30 August 2007)

Executives

There were no other executives during the 2007 or 2008 reporting periods.

C: SERVICE AGREEMENTS

The consolidated entity has entered into service agreements with each key management person. The service contracts outline the components of compensation paid to the key management personnel and are reviewed on an annual basis.

Mr Andrew Harrison, has a contract of employment effective from 7 June 2006 with the Company. The contract specifies the duties and obligations to be fulfilled by the Managing Director. The contract is for a term of 3 years, unless terminated earlier in accordance with the contract of employment. The Company must pay to Mr Harrison $100,000 per annum plus statutory superannuation in consideration for Mr Harrison's services. Mr Harrison has no entitlement to termination payment in the event of removal for misconduct.

No other key management personnel have service contracts.

Refer to Note 22 for details on the financial impact in future periods resulting from firm commitments arising from non-cancellable contracts for services with directors.

D: DETAILS OF REMUNERATION

Details of the nature and amount of each major element of the remuneration of each key management person of the consolidated entity for the financial year are:

		SHORT-TERM			POST-EMPLOYMENT	SHARE-BASED PAYMENTS			
		Salary & fees $	STI cash bonus $	Other benefits $	Superannuation benefits $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors									
Non-executive									
Dr R Fine	2008	-	-	-	-	-	-	-	-
	2007	23,867	-	-	-	-	23,867	-	-
Mr A Ho	2008	24,000	-	-	-	-	24,000	-	-
	2007	24,000	-	-	-	-	24,000	-	-
Mr S Sewell	2008	-	-	-	-	-	-	-	-
Executive									
Mr A Harrison	2008	107,692	-	14,139	9,000	-	130,831	-	-
	2007	107,692	-	15,561	9,000	-	132,253	-	-
Mr J Conidi	2008	111,346	-	-	-	-	111,346	-	-
Total, all key management personnel	**2008**	**243,038**	**-**	**14,139**	**9,000**	**-**	**266,177**	**-**	**-**
	2007	**155,559**	**-**	**15,561**	**9,000**	**-**	**180,120**	**-**	**-**

This is the end of the audited Remuneration Report.

Dated at Melbourne, Victoria this 30th day of September 2008.

Signed in accordance with a resolution of the directors:

John Conidi
Managing Director

BDO Kendalls

BDO Kendalls Audit & Assurance
(NSW-VIC) Pty Ltd
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AUDITOR'S INDEPENDENCE DECLARATION

DECLARATION OF INDEPENDENCE BY NICHOLAS E. BURNE TO THE DIRECTORS OF CAPITOL HEALTH LIMITED

As lead auditor of Capitol Health Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Capitol Health Limited and the entities it controlled during the period.

NICHOLAS E. BURNE
Director

BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd
Chartered Accountants

Melbourne
30 September 2008

The Board of Directors is responsible for the overall corporate governance of Capitol Health Limited ("Capitol Health"), and is committed to the principles underpinning best practice in corporate governance, applied in a manner that meets ASX standards and best addresses the Directors' accountability to Shareholders. However, whilst the Company will endeavour to comply with all of the guidelines under the ASX Corporate Governance Recommendations, the Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the additional expense of compliance with all recommendations.

ASX Best Practice Recommendations

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the Company has the flexibility not to adopt it. Where the Company considered it was not appropriate to presently comply with a particular recommendation the reasons are set out in the latter part of this statement.

The table below summarises the Company's compliance with the ASX Corporate Governance Recommendations.

	Recommendation	Comply Yes/ No	Reference/ Explanation
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	Yes	Website & Page 15
2.1	A majority of the Board should be independent directors.	No	Page 16
2.2	The chairperson should be an independent director.	No	Page 16
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	No	Page 16
2.4	The Board should establish a nomination committee.	No	Page 16
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: • the practices necessary to maintain confidence in the Company's integrity • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Yes	Website & Page 16
3.2	Disclose the policy concerning trading in the company securities by directors, officers and employees.	Yes	Website & Page 16
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with the relevant accounting standards.	Yes	Website
4.2	The Board should establish an audit committee.	Yes	Website & Page 15
4.3	Structure the audit committee so that it consists of: • only non-executive directors • a majority of independent directors • an independent chairperson, who is not chairperson of the Board • at least three members	Yes	Website & Page 15
4.4	The audit committee should have a formal charter.	Yes	Website & Page 15
5.1	Establish written policies and procedures designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure the accountability at a senior management level for that compliance.	Yes	Website & Page 16
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Yes	Website & Page 16
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholders questions about the conduct of the audit and the preparation and content of the auditor's report.	Yes	Website
7.1	The board or appropriate Board committee should establish policies on risk oversight and management.	Yes	Website & Page 16

	Recommendation	Comply Yes/ No	Reference/ Explanation
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that: • the statement given in accordance with the best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board • the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects.	Yes	Website
8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.	Yes	Website
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Yes	Website
9.2	The Board should establish a remuneration committee.	Yes	Website & Page 15
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Website
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set on plans approved by shareholders.	Yes	Website
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	Yes	Website

Capitol Health's corporate governance practices were in place since the Company's admission to the Official List of ASX on 7 June 2006.

A brief summary of Capitol Health's main corporate governance policies and practices is outlined below. In addition, the following policies and procedures have been adopted and are available for viewing on the Company's website www.capitolhealth.com.au:

- Role of the Board
- Structure of the Board
- Responsible Decision Making and Code of Conduct
- Safeguarding Integrity in Financial Reporting
- Timely and Balance Disclosure
- Risk Recognition and Management
- Board Performance
- Remuneration Responsibility
- Securities Trading Policy.

The Board of Directors

The Board will comprise both executive and non-executive Directors. Presently there are two non-executive Directors and two executive Directors.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, experience and achievement, credibility within the Company's scope of activities, intellectual ability to contribute to the Board's duties and ability to undertake Board duties and responsibilities.

Committees of the Board

The Board has established the following committees:

Audit Committee

The Audit Committee comprises two Board members, all being non-executive directors and the Company Secretary. The primary responsibility of this Committee is to monitor the integrity of the financial statements of the Company, and to review and monitor the Company's internal financial control system.

Remuneration Committee

The Remuneration Committee comprises two Board members, being the non-executive directors. The primary responsibility of this Committee is to discharge the Board's responsibilities in relation to remuneration of the Company's executives, including securities and benefit plans.

Role of the Board

The management and control of the business is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the shareholders.

The Board strives to create Shareholder value and ensure that Shareholders' funds are safeguarded.

The key responsibilities of the Board include:

- the overall corporate governance of the Company including its strategic direction and financial objectives, establishing goals for management and monitoring the attainment of these goals;
- reporting to shareholders and the market (ASX);
- approving strategic plans, key operational and financial matters, as well as major investment and divestment proposals;
- approving the nominations of Directors to the Board and appointment of key executives;
- evaluating and rewarding senior management and ensuring executive succession planning;
- ensuring that Directors have a good understanding of the Company's business;
- ensuring Management maintains a sound system of internal controls to safeguard the assets of the company;
- monitoring the performance of the company;
- appointing and removing the Managing Director (or equivalent);
- ratifying the appointment and, where appropriate, the removal of the chief financial officer (or equivalent) and/ or the company secretary;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance, safety and occupational health policies, community and environmental issues;
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available; and
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures, together with any recommendations from management associated with these activities.

Policies and Procedures

Continuous Disclosure Policy

The Company has adopted a continuous disclosure policy so as to comply with its continuous disclosure obligations. The aims of this policy are to:

- report continuous disclosure matters to the Board;
- assess new information and co-ordinate any disclosure or releases to the ASX, or any advice required in relation to that information, in a timely manner;
- provide an audit trail of the decisions regarding disclosure to substantiate compliance with the Company's continuous disclosure obligations; and
- ensure that employees, consultants, associated entities and advisers of the Company understand the obligations to bring material information to the attention of the Board.

Policies and Procedures (cont'd)

Securities Trading Policy

The Company has adopted a policy that imposes certain restrictions on Directors and employees trading in the securities of the Company. The restrictions have been imposed to prevent trading in contravention of the insider trading provisions of the Corporations Act.

Risk Management Policy

The Board has developed and implemented policies and practices which ensure that the material risks facing the Company are adequately identified, assessed, monitored and managed throughout the whole organisation. These include:

- comprehensive Board papers containing relevant operational, strategic, financial and legal information circulated to directors before each meeting;
- actual results for the Company presented to the Board at each Board meeting, compared against budget and forecast, with revised forecasts if required;
- financial authority limits set by the Board; and
- insurance cover appropriate to the size and nature of the Company's operations to reduce the financial impact of any significant insurable losses.

Shareholder Communications Strategy

The Board aims to ensure that Shareholders are kept informed of all major developments affecting the Company.

Information is communicated to Shareholders through:

- continuous disclosure in the form of public announcements on ASX;
- annual and quarterly reports to shareholders;
- investor briefings;
- the Managing Director's address delivered at the Annual General Meeting; and
- notices of all meetings of Shareholders and explanatory notes of proposed resolutions.

ASX Guidelines on Corporate Governance

Pursuant to ASX Listing Rules the Company must provide a statement disclosing the extent to which the ASX Best Practice Recommendations have not been followed in the reporting period. The Company sets out below an explanation of the areas where Capitol Health does not presently comply with ASX Best Practice Recommendations.

Composition of the Board

A majority of the Board of directors is not comprised of independent directors under the ASX definition of independence, as set out in the ASX Corporate Governance Council Best Practice Recommendations. Furthermore, the Company does not currently have a chairperson. The Company is in its early stages of development and does not consider it appropriate or cost effective to adopt this recommendation.

Each individual member of the Board is satisfied that whilst the Company may not comply with best practice recommendations 2.1, 2.2 and 2.3, the Board always acts with independence and in accordance with the Statement of Corporate Governance.

Committees of the Board

The Company does not presently have a separate nomination committee as required by best practice recommendation 2.4. The Company is in its early stages of development and as such, the entire Board conducts the function of such a committee. The duties of such a committee have been considered and adopted by the Board. The Board will invite persons with relevant industry and financial experience when required to carry out the function of such a committee.

CAPITOL HEALTH LIMITED

CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Continuing operations			Restated*		
Revenue	3	13,413,336	-	-	-
Other income	4	38,685	42,687	26,237	42,687
Employee benefits expense		(8,261,852)	(317,536)	(258,513)	(317,536)
Depreciation expense		(662,998)	(112,931)	(27,571)	(112,931)
Consumables		(688,328)	-	-	-
Marketing expenses		(150,324)	(77,777)	(88,720)	(77,777)
Occupancy expenses		(684,642)	(25,081)	(29,725)	(25,081)
Finance costs		(41,922)	(3,376)	-	(3,376)
Corporate and administrative expenses		(1,346,023)	(375,208)	(373,686)	(381,208)
Equipment-related costs		(1,308,747)	(22,700)	(21,748)	(22,700)
Other expenses	5	(20,237)	-	-	(329,976)
Profit/(loss) before income tax		286,948	(891,922)	(773,726)	(1,227,898)
Income tax	8	(139,670)	-	22,577	-
Profit/(loss) from continuing operations		147,278	(891,922)	(751,149)	(1,227,898)
Discontinued operations					
Profit/ (loss) from discontinued operations, net of income tax	26	67,243	(74,405)	-	-
Net profit/(loss) for the year attributable to equity holders of the parent		214,521	(966,327)	(751,149)	(1,227,898)
Earnings per share					
Basic and diluted earnings/ (loss) per share (cents)	23	0.09	(1.72)		
Continuing operations					
Basic and diluted earnings/ (loss) per share (cents)	23	0.06	(1.59)		

*See discontinued operation – Note 26.

The income statement is to be read in conjunction with the accompanying notes.

CAPITOLHEALTH LIMITED

CONSOLIDATED BALANCE SHEET
as at 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
CURRENT ASSETS					
Cash and cash equivalents	9	1,925,113	191,008	817	2,638
Trade and other receivables	10	1,058,652	13,025	2,274	4,210
Inventories	11	-	125,879	-	-
Other financial assets	12	201,342	8,000	-	-
Assets classified as held for sale	27	303,260	-	-	-
Total Current Assets		3,488,367	337,912	3,091	6,848
NON CURRENT ASSETS					
Receivables	10	-	-	18,097,003	232,028
Other financial assets	12	-	524,938	1	524,938
Deferred tax assets	8	448,326	-	22,577	-
Property, plant & equipment	13	3,905,625	564,281	48,544	76,115
Intangibles	14	22,055,926	611,412	-	-
Total Non Current Assets		26,409,877	1,700,631	18,168,125	833,081
TOTAL ASSETS		29,898,244	2,038,543	18,171,216	839,929
CURRENT LIABILITIES					
Trade and other payables	15	1,903,074	387,919	203,793	155,749
Employee benefits	16	956,930	36,547	23,506	17,243
Income tax liability		269,045	-	269,045	-
Loans and borrowings	18	6,096,810	111,675	43,889	39,251
Liabilities classified as held for sale	27	89,055	-	-	-
Total Current Liabilities		9,314,914	536,141	540,233	212,243
NON CURRENT LIABILITIES					
Employee benefits	16	199,705	-	-	-
Loans and borrowings	18	1,701,649	833,282	81,460	125,349
Total Non Current Liabilities		1,901,354	833,282	81,460	125,349
TOTAL LIABILITIES		11,216,268	1,369,423	621,693	337,592
NET ASSETS		**18,681,976**	**669,120**	**17,549,523**	**502,337**
EQUITY					
Issued capital	19	19,654,326	2,022,902	19,654,326	2,022,902
Reserves	19	170,609	3,698	170,609	3,698
Accumulated losses	20	(1,142,959)	(1,357,480)	(2,275,412)	(1,524,263)
TOTAL EQUITY		**18,681,976**	**669,120**	**17,549,523**	**502,337**

The balance sheet is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Cash flows from operating activities					
Cash receipts in the course of operations		13,837,062	1,512,114	-	-
Cash payments in the course of operations		(11,464,567)	(1,754,222)	(709,465)	(711,099)
Interest received		43,845	50,316	26,237	42,687
Interest paid		(245,604)	(85,020)	(11,349)	(3,376)
Net cash provided by/ (used in) operating activities	30	2,170,736	(276,812)	(694,577)	(671,788)
Cash flows from investing activities					
Proceeds from sale of subsidiaries		320,826	2,500	-	-
Payments for property, plant and equipment		(1,466,273)	(414,568)	-	(183,234)
Payments for acquisition of subsidiaries		(4,747,674)	(398,370)	(1)	-
Net cash used in investing activities		(5,893,121)	(810,438)	(1)	(183,234)
Cash flows from financing activities					
Proceeds from the issue of share capital	19	2,500,000	-	2,500,000	-
Payment of share issue costs		(251,501)	(126,850)	(251,501)	(126,850)
Repayment of security over borrowing		524,938	-	524,938	-
Payment for security over borrowings		-	(524,938)	-	(524,938)
Payments for loans to controlled entities			-	(2,041,429)	(350,734)
Proceeds from borrowings		3,502,661	177,137	-	177,137
Repayment of borrowings		(819,608)	(77,180)	(39,251)	(12,536)
Net cash provided by/ (used in) financing activities		5,456,490	(551,831)	692,757	(837,921)
Net increase/ (decrease) in cash and cash equivalents		1,734,105	(1,639,081)	(1,821)	(1,692,943)
Cash and cash equivalents at 1 July		191,008	1,830,089	2,638	1,695,581
Cash and cash equivalents at 30 June	9	**1,925,113**	**191,008**	**817**	**2,638**

The 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 2008

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2006	2,022,902	-	(391,153)	1,631,749
Total recognised gains and losses for the year:				
Loss for the year	-	-	(966,327)	(966,327)
Transactions with equity holders in their capacity as equity holders:				
Equity-settled share-based payment	-	3,698	-	3,698
At 30 June 2007	2,022,902	3,698	(1,357,480)	669,120
Total recognised gains and losses for the period:				
Profit for the year	-	-	214,521	214,521
Transactions with equity holders in their capacity as equity holders:				
Shares issued	17,890,000	-	-	17,890,000
Share issue costs	(258,576)	-	-	(258,576)
Options granted	-	164,500	-	164,500
Equity-settled share-based payment	-	2,411	-	2,411
At 30 June 2008	**19,654,326**	**170,609**	**(1,142,959)**	**18,681,976**

Company	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2006	2,022,902	-	(296,365)	1,726,537
Total recognised gains and losses fro the year				
Loss for the year	-	-	(1,227,898)	(1,227,898)
Transactions with equity holders in their capacity as equity holders				
Equity-settled share-based payment	-	3,698	-	3,698
At 30 June 2007	2,022,902	3,698	(1,524,263)	502,337
Total recognised gains and losses for the period:				
Loss for the year	-	-	(751,149)	(751,149)
Transactions with equity holders in their capacity as equity holders:				
Shares issued	17,890,000	-	-	17,890,000
Share issue costs	(258,576)	-	-	(258,576)
Options granted	-	164,500	-	164,500
Equity-settled share-based payment	-	2,411	-	2,411
At 30 June 2008	**19,654,326**	**170,609**	**(2,275,412)**	**17,549,523**

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 2008 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

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

Basis of preparation

Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with the Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial report of the Company also complies with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board.

The functional and presentation currency of the Company and Group is the Australian Dollar.

The financial statements were approved by the Board of Directors on 30 September 2008.

Basis of measurement

The financial report is prepared on the accruals basis and the historical cost basis.

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates if any of the assumptions, judgements or estimates were to change. Estimates and underlying assumptions are reviewed on an ongoing basis.

Significant estimates

During the year, the company acquired new subsidiaries on which significant amounts of goodwill arose. This goodwill is subject to an annual impairment test, based on estimating the recoverable amount of the goodwill. The recoverable amount was based on future estimated cash flows for each 'group' acquired, discounted to today. The calculation of the recoverable amount involves the use of estimates, further details of the assumptions used can be found in Note 14. If any of these estimates were to significantly change, it may have a material impact on the reported amount of goodwill.

The calculation of 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 affect on the amount recognised.

Critical judgements

As the Group has become profit making during the year, unutilised tax losses have now been recognised as a deferred tax asset as the directors believe it is probable that these amounts will be recovered.

For the purposes of the goodwill impairment test, under AASB 136 "Intangible Assets" this is required for the lowest level of identifiable cash generating units. The directors have identified this level to be each of the three business acquisitions during the year. Cash flows attributed to the clinics from each acquisition are grouped together to form the cash generating unit.

The directors have determined the dental operations in Western Australia to be discontinued as two of the three clinics was disposed of during the year, with the last clinic being disposed of after balance sheet date. All assets and liabilities attributed to the Kalamunda clinic disposed of post balance sheet date have been reclassified as current.

On acquisition of the 'Radiology' entities, Bell and South East Medical Imaging significant amounts of goodwill arose on these transactions. The excess of the consideration over the fair value of the identifiable net assets acquired has been attributed to goodwill. No other intangible assets have been recognised as they are either not material or the Group is not able to reliably measure amounts attributable to these contracts.

Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other operating business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the consolidated entity. Control exists when the consolidated entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

Transactions eliminated on consolidation

Inter-entity balances, and any unrealised income and expenses arising from inter-entity transactions, are eliminated in preparing the consolidated financial statements.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet 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 Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial instruments

Financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Financial instruments are recognised initially at fair value plus, any directly attributable transaction costs, except as described below. 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.

Cash and cash equivalents comprise cash balances and call deposits.

-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.

-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 income statement over the period of the borrowings using the effective rate of interest. Borrowings are removed from the balance sheet when the obligation is discharged, cancelled or expired.

-Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. Trade accounts payable are normally settled within 60 days. Trade and other payables are recognised initially at fair value, and subsequently at amortised cost.

-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.

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

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the consolidated entity 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 straight-line 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 to 15 years
Office furniture and equipment	3 to 5 years
Leasehold improvements	3 to 10 years
Motor vehicles	2.5 to 3 years

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

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the consolidated entity'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.

Leased assets

Leases under which the consolidated entity 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.

Other leases are operating leases and the leased assets are not recognised in the consolidated entity's balance sheet.

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Minimum 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.

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 consolidated entity'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 recognized 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 flows that largely are independent from other assets and groups. 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 units and then to reduce the carrying amount of 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.

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price less associated costs to sell.

Employee Benefits

Wages and salaries, annual leave, sick leave and long service leave

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

Provisions made in respect of wages and salaries, annual leave and sick leave expected to be settled within 12 months are measured at their nominal values based on expected rates of pay. The provision for long service leave is measured as at present value of the estimated future cash flows.

Share-based payments

The Group provides benefits to employees (including directors) of the consolidated entity 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 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').

Employee Benefits (cont'd)

Share-based payments (cont'd)

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 consolidated, 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.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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. Exchange of goods of services of the same nature with any cash consideration is not recognised as revenue. 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 diagnostic imaging or dental service is rendered.

Interest income

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

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.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognisable for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

Income tax (cont'd)

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group 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 group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' 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 group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated. 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 group to the extent that it is probable that future taxable profits of the tax-consolidated group 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.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group 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.

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 balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Non-current assets held for sale and discontinued operations

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.

A discontinued operation is a component of the consolidated entity's business that represents a separate major line of business or geographical area of operations that has been disposed of or is 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 current year results presented separately on the face of the income statement.

Earnings per share

The consolidated entity presents basic 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 earnings per share used 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.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to standards and interpretations have been released that are not mandatory for 30 June 2008 reporting periods. The Company's assessment of the impact of new standards and interpretations that may affect the Company is set out below.

(a) *AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8.* AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Company expects to adopt AASB 8 when it becomes effective. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(b) *Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*. A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Company intends to apply the revised standard from 1 July 2009.

None of the other standards, amendments to standards or interpretations are expected to have a financial impact on the Company or Group. AASB 3 "Business Combinations (Revised)", AASB 127 "Consolidated and Separate Financial Statements (Revised)" and AASB 2008-7 "Amendments to Australian Accounting Standards – cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate" are all standards which will only be required to be adopted prospectively on adoption for the year ended 30 June 2010, and are not expected to have a financial effect on current reported amounts.

Adoption of new accounting standard

The Company has adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the entity.

Determination of fair values

A number of the consolidated entity'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.

Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

Determination of fair values (cont'd)

Trade and other receivables

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

Trade and other payables

The fair value of trade and other payables 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 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.

Net Working Capital Deficiency

Notwithstanding the Group has a net working capital deficiency, the Group is expected to generate sufficient cash flows in the next 12 months to meet their current obligations as they fall due. In addition, there are sufficient facilities in place to draw down on should the Group require cash. The directors believe that the Group will be able to pay their liabilities as they fall due on this basis.

2. FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- interest rate risk

Neither the company nor the group is exposed to foreign exchange risk or other price risk in the markets.

This note presents information about the Company's and consolidated entity'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 throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies.

The Directors regularly review the capital structure of the company as part of their risk management process. The objectives are to maintain an optimal structure, while minimising identified financial risks to produce the best outcome for the company and group. All decisions relating to financial instruments are made by the Directors and are assessed based on the risks and benefits to the company and group. The Directors do not speculate in financial instruments (including derivatives) and have not entered into any derivatives to hedge against any of the risks.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

2. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's trade receivables and cash and cash equivalents. For the Company it arises from receivables due from controlled entities. The maximum amounts of credit risk for both the group and company are the balances as presented on the balance sheet for instruments giving rise to credit risk and have been presented in Note 21.

Trade and other receivables

It is the consolidated entity'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 consolidated entity trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the consolidated entity's policy to securitise its trade and other receivables.

The consolidated entity 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 able to meet their obligations 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.

Interest rate risk

The consolidated entity's exposure to fair value and cash flow interest rates risk arises primarily from the consolidated entity'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 maximum exposure to these risks can be found in Note 21. 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 Directors consider both issued share capital and debt financing as part of their capital management strategy.

The Board are 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 has no current plans to issue further shares on the market.

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. The consolidated entity had loans and borrowings of $7,798,459 at 30 June 2008 (2007: $944,957).

The consolidated entity is not subject to any externally imposed capital requirements.

	Consolidated		Company	
	2008	2007	2008	2007
3. REVENUE	$	$	$	$
Services	13,413,336	-	-	-

	Consolidated		Company	
	2008	2007	2008	2007
4. OTHER INCOME	$	$	$	$
Interest income	38,685	42,687	26,237	42,687

	Consolidated		Company	
	2008	2007	2008	2007
5. OTHER EXPENSES	$	$	$	$
Bad debts expense	20,237	-	-	-
Impairment of loans to controlled entities	-	-	-	329,976
	20,237	-	-	329,976

6. PERSONNEL EXPENSES

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Wages and salaries costs	7,485,638	229,760	219,382	229,760
Other associated personnel expenses	238,817	-	-	-
Defined contribution superannuation costs	461,112	19,553	18,457	19,553
Increase in liability for annual and long service leave	61,874	16,658	6,263	16,657
Non-executive directors' fees	12,000	47,867	12,000	47,867
Equity-settled share based payment transactions	2,411	3,698	2,411	3,698
	8,261,852	317,536	258,513	317,535

7. AUDITORS' REMUNERATION

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Audit services:				
Auditors of the Company (BDO KendallsAudit & Assurance (NSW-VIC) Pty Ltd)				
- audit and review of financial reports	65,000	-	65,000	-
Other auditors				
- audit and review of financial reports	13,845	34,606	13,845	34,606
	78,845	34,606	78,845	34,606
Other services:				
- other services	-	-	-	-
	-	-	-	-

8. INCOME TAX

(a) Income tax expense/(benefit)

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
The major components of income tax expense/(benefit) are:				
Current income tax				
Current income tax charge	269,045	-	-	-
Deferred income tax				
Origination and reversal of temporary differences	(129,375)	-	(22,577)	-
Income tax expense/(benefit) reported in the income statement	139,670	-	(22,577)	-

8. INCOME TAX (cont'd)	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement 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 consolidated entity's applicable income tax rate is as follows:				
Accounting profit before tax from continuing operations	286,948	(891,922)	(773,726)	(1,227,898)
Profit / (loss) before tax from discontinued operations	67,243	(74,405)	-	-
Total accounting profit before income tax	354,191	(966,327)	(773,726)	(1,227,898)
At the consolidated entity's statutory income tax rate of 30% (2007: 30%)	106,257	(289,898)	(232,118)	(368,369)
Tax effect on amounts which are not tax deductible:				
- Impairment loss on goodwill	79,011	75,000	-	-
- Amounts provided against loans to controlled entity	-	-	-	98,993
- Cost of equity settled transactions	723	1,109	723	1,109
- Sundry amounts	(46,321)	(625)	(47,925)	(11,184)
Deferred tax asset not brought to account	-	214,414	256,742	279,451
Aggregate income tax expense/(benefit)	139,670	-	(22,577)	-
Aggregate income tax expense/(benefit) is attributable to:				
Continuing operations	139,670	-	(22,577)	-
Discontinued operations	-	-	-	-
	139,670	-	(22,577)	-
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)	-	714,713	-	931,503
Unrecognised deferred tax asset at 30%	-	214,414	-	279,451

	Consolidated		Company	
	2008	2007	2008	2007
8. INCOME TAX (cont'd)	$	$	$	$
(d) Recognised and unrecognised temporary differences				
Note that deferred tax assets on temporary differences were not recognised in the prior year 2007 but were recognised during 2008.				
Temporary differences:				
- Employee benefits provision	1,223,710	36,547	23,506	17,243
- Accrued expenses	267,314	4,400	51,750	44,000
- Provision for doubtful receivables	3,399	-	-	536,701
- Capital raising costs	-	211,777	-	211,777
Total temporary differences for which deferred tax assets have not been recognised	-	252,704	-	809,721
Total temporary differences for which deferred tax assets have been recognised	1,494,423	-	75,256	-
Deferred tax asset at 30%	448,326	-	22,577	-

(e) Tax Rates

The potential tax benefit at 30 June 2007 in respect of tax losses not brought to account has been calculated at 30%.

(f) Tax Losses

At 30 June 2007 the group had carried forward tax losses of $991,389 which were deemed unavailable in 2008 as the company was not able to pass the tests required under Australian Taxation Law. The group has no available tax losses to carry forward.

(g) Tax Consolidation

Capitol Health Limited and its 100% owned subsidiaries formed a tax consolidated group effective the year commencing 1 July 2005. Capitol Health Limited is the Head Entity of the tax consolidated group. The Head Entity and each of its subsidiaries continue to account for their own current and deferred tax amounts. In addition to its own current and deferred tax amounts, the Head Entity recognises the current tax liability of the subsidiaries of the tax consolidated group. Consistent with UIG 1052 Tax Consolidation Accounting a tax funding agreement is in place between members of the group under which payments to/from the head company are recognised via an intercompany loan which is at call.

9. CASH AND CASH EQUIVALENTS

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Cash at bank	1,925,113	191,008	817	2,638

The consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 21.

10. TRADE AND OTHER RECEIVABLES

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Current				
Other receivables	1,058,652	13,025	2,274	4,210
Non Current				
Unsecured loans to subsidiaries	-	-	18,633,704	768,729
Less: Impairment	-	-	(536,701)	(536,701)
	-	-	18,097,003	232,028

The consolidated entity's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 21.

11. INVENTORIES

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Surgical inventories	-	125,879	-	-

12. OTHER FINANCIAL ASSETS

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Current				
Prepayments	133,012	-	-	-
Bonds	42,275	8,000		-
Other	26,055	-	-	-
	201,342	8,000	-	-
Non Current				
Term deposit	-	524,938	-	524,938
Investment in subsidiary:				
Shares in CHL Operations Pty Ltd (100% owned) – at cost	-	-	1	1
Shares in Capitol Radiology Pty Ltd (100% owned) – at cost	-	-	1	-
Less: Impairment of investment	-	-	(1)	(1)
	-	524,938	1	524,938

13. PROPERTY, PLANT & EQUIPMENT

	Consolidated					Company				
	Plant & equipment	Office furniture & equipment	Leasehold improvements	Motor vehicles	Total	Plant & equipment	Office furniture & equipment	Leasehold improvements	Motor vehicles	Total
At 1 July 2007	404,162	99,735	38,801	21,583	564,281	-	42,279	12,253	21,583	76,115
Acquisitions through business combinations	2,287,789	134,247	602,810	20,004	3,044,850					
Other additions	1,466,273	-	-	-	1,466,273	-	-	-	-	-
Transfer to assets held for sale	(118,556)	(10,235)	(5,754)	-	(134,545)					
Disposals	(304,221)	(47,220)	(20,795)	-	(372,236)	-	-	-	-	-
Depreciation charge for the year	(555,710)	(29,372)	(63,479)	(14,437)	(662,998)	-	(13,000)	(4,911)	(9,660)	(27,571)
At 30 June 2008, net of accumulated depreciation	3,179,737	147,155	551,583	27,150	3,905,625	-	29,279	7,342	11,923	48,544
At 30 June 2008										
Cost	3,735,019	279,950	617,463	48,826	4,681,258	-	145,703	14,653	28,822	189,178
Accumulated depreciation	(555,282)	(132,795)	(65,880)	(21,676)	(775,633)	-	(116,424)	(7,311)	(16,899)	(140,634)
Net carrying amount	3,179,737	147,155	551,583	27,150	3,905,625	-	29,279	7,342	11,923	48,544

	Consolidated					Company				
	Plant & equipment	Office furniture & equipment	Leasehold improvements	Motor vehicles	Total	Plant & equipment	Office furniture & equipment	Leasehold improvements	Motor vehicles	Total
At 1 July 2006	286,290	61,075	24,542	-	371,907	-	5,812	-	-	5,812
Additions	207,143	155,634	22,969	28,822	414,568	-	139,759	14,653	28,822	183,234
Disposals	(2,500)	-	-	-	(2,500)	-	-	-	-	-
Depreciation charge for the year	(86,771)	(116,974)	(8,710)	(7,239)	(219,694)	-	(103,292)	(2,400)	(7,239)	(112,931)
At 30 June 2007, net of accumulated depreciation	404,162	99,735	38,801	21,583	564,281	-	42,279	12,253	21,583	76,115
At 30 June 2007										
Cost	499,744	245,267	51,044	28,822	824,877	-	145,703	14,653	28,822	189,178
Accumulated depreciation	(95,582)	(145,532)	(12,243)	(7,239)	(260,596)	-	(103,424)	(2,400)	(7,239)	(113,063)
Net carrying amount	404,162	99,735	38,801	21,583	564,281	-	42,279	12,253	21,583	76,115

	Consolidated		Company	
	2008	2007	2008	2007
14. INTANGIBLES	$	$	$	$
Goodwill arising through business combinations:				
Acquisition of Radiology Entities – at cost and acquired	15,654,636	-	-	-
Acquisition of South East Medical Imaging – at cost	2,784,180	-	-	-
Acquisition of Bell Imaging – at cost	3,617,110	-	-	-
Acquisition of Banksia Dental Care – at cost	-	191,080	-	-
Less: Impairment loss	-	(191,080)	-	-
Acquisition of Booragoon Dental Clinic – at cost	-	463,042	-	-
Less: Impairment loss	-	(250,000)	-	-
Acquisition of Kalamunda Dental Care – at cost	-	398,370	-	-
	22,055,926	611,412	-	-

Impairment testing for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill is allocated to each acquisition which represents a separate cash generating unit. Impairment testing was performed for each of the cash-generating units as at 30 June 2008. Impairment testing was based on value in use calculations for each identified cash generating unit (in 2007 this was based on fair value less costs to sell, which was determined in reference to an active market) The discount rate used to determine recoverable amount at 30 June 2008 for all cash generating units is 12%. Discounted cash flows for each cash generating unit have been estimated based on past performance, and increased by a 5% growth rate (for both revenues and expenditures) 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 diagnostics services will still be delivered well beyond 5 years. Head office administration costs have been allocated to each of the cash generating units based on relative revenues expected to be generated. If any of the assumptions above were to significantly change this may result in an impairment loss in the reported amounts of goodwill above for the Radiology Entities. The same changes would be unlikely to affect the carrying amounts of goodwill of the other entities above.

Discontinued operations

Subsequent to balance date the consolidated entity completed the divestment of the consolidated entity's dental operations segment. Consequently, the remaining dental operations segment as at 30 June 2008, including goodwill relating to Kalamunda Dental Care, is presented as a disposal segment held for sale. Refer Note 26 for further details.

15. TRADE AND OTHER PAYABLES

Trade creditors	1,641,124	233,063	152,043	58,660
Other creditors and accruals	261,950	154,856	51,750	97,089
	1,903,074	387,919	203,793	155,749

16. EMPLOYEE BENEFITS

Current

Liability for annual leave	596,687	36,547	23,506	17,243
Provision for long service leave	360,243	-	-	-
	956,930	36,547	23,506	17,243

Non Current

Provision for long service leave	199,705	-	-	-

17. SHARE BASED PAYMENTS

The Company operates an incentive scheme known as the Capitol Health Incentive Option Scheme ("Scheme") approved at the general meeting 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. The vesting terms of the options are as follows:

Portion	Vesting date
50%	12 months (26 September 2007)
50%	24 months (26 September 2008)

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.

The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. The following table gives the assumptions made in determining the fair value of options on grant date:

	2008 $	2007 $
Fair value at measurement date	-	$0.026
Share price	-	$0.20
Exercise price	-	$0.25
Expected volatility	-	25.00%
Option life	-	4 years
Expected dividends	-	0.00%
Risk-free interest rate	-	5.63%
Non listed status discount	-	35.00%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

During the year ended 30 June 2008 there were no options exercised (2007: nil).

The number and weighted average exercise prices ("WAEP") of options are as follows:

	2008 Number	2008 WAEP	2007 Number	2007 WAEP
Outstanding at the beginning of the year	250,000	$0.25	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Granted during the year	-	-	250,000	$0.25
Outstanding at the end of the year	250,000	$0.25	250,000	$0.25
Vested and exercisable at the end of the year	125,000	$0.25	-	-

	Consolidated		Company	
Employee expenses	2008 $	2007 $	2008 $	2007 $
Share options granted in 2007 – equity settled	2,411	3,698	2,411	3,698

18. LOANS AND BORROWINGS

This note provides information about the Company's and the consolidated entity's interest-bearing loans and borrowings. For more information about the Company's and the consolidated entity's exposure to interest rate and liquidity risk, see note 21.

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Current				
Finance lease liabilities	8,342	7,152	8,342	7,152
Secured bank loan	2,500,000	-	-	-
Secured loan facilities	-	39,161	-	-
Secured equipment finance facilities	763,075	65,362	35,547	32,099
Unsecured loans	2,825,393	-	-	-
	6,096,810	111,675	43,889	39,251
Non Current				
Finance lease liabilities	10,956	19,298	10,956	19,298
Secured loan facilities	-	505,957	-	-
Secured equipment finance facilities	1,690,693	308,027	70,504	106,051
	1,701,649	833,282	81,460	125,349

Terms of loans and borrowings

Secured bank loan

Capitol Radiology Pty Ltd ("Capitol Radiology") entered into a loan facility agreement for the purposes of assisting the purchase of the South East Medical Imaging and Bell Imaging. The term of these loan facilities is 10 years and they are secured by:

(a) A first registered company charge by Capitol Radiology PL over the whole of its assets and undertakings including uncalled capital; and
(b) A guarantee unlimited as to the amount by Capitol Health Limited supported by a first registered company charge by Capitol Health Ltd over the whole of its assets and undertakings.

These facilities bear interest at the CBA bank bill rate plus a margin of 1.8%. per annum.

Secured loan facilities

During the previous financial year, CHL Operations Pty Ltd ("CHL Operations") entered into a loan facility agreement for the purposes of assisting the purchase of the Booragoon Dental Clinic and Banksia Dental Care. These facilities were repaid in full subsequent to the sale of Booragoon Dental Clinic during the financial year.

Secured equipment finance facilities

During the previous financial year, CHL Operations entered into a hire purchase agreement for the purchase of assets pertaining to the Booragoon Dental Clinic. These facilities were repaid in full subsequent to the sale of Booragoon Dental Clinic during the financial year.

Capitol Radiology entered into additional agreements for the purchase of assets during the financial year. These facilities bear interest at between 7.720% and 9.645% per annum.

Unsecured loans

The unsecured loans do not bear interest.

18. LOANS AND BORROWINGS (cont'd)

Finance lease liabilities

Finance lease liabilities of the Company and the consolidated entity are payable as follows:

At 30 June 2008	Consolidated			Company		
	Minimum lease payments 2008 $	Interest 2008 $	Principal 2008 $	Minimum lease payments 2008 $	Interest 2008 $	Principal 2008 $
Less than one year	9,254	843	8,342	9,254	843	8,342
Between one and five years	10,992	25	10,956	10,992	25	10,956
	20,246	868	19,298	20,246	868	19,298

At 30 June 2007	Consolidated			Company		
	Minimum lease payments 2007 $	Interest 2007 $	Principal 2007 $	Minimum lease payments 2007 $	Interest 2007 $	Principal 2007 $
Less than one year	9,254	2,103	7,152	9,254	2,103	7,152
Between one and five years	21,018	948	19,298	21,018	948	19,298
	30,272	3,051	26,450	30,272	3,051	26,450

19. ISSUED CAPITAL AND RESERVES

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Issued capital				
278,416,241 (2007: 56,100,001) fully paid ordinary shares	19,654,326	2,022,902	19,654,326	2,022,902

The following movements in issued capital occurred during the year:

	2008 Number of Shares	2007 Number of Shares	2008 $	2007 $
Balance at the beginning of the year	56,100,001	56,100,001	2,022,902	2,022,902
Issue of shares at $0.08 each for the acquisition of the Radiology Entities	183,000,000	-	14,640,000	-
Issue of shares at $0.09 each	27,777,778	-	2,500,000	-
Issue of shares at $0.065 each for the acquisition of Bell Imaging	11,538,462	-	750,000	-
Share issue costs	-	-	(258,576)	-
Balance at the end of the year	278,416,241	56,100,001	19,654,326	2,022,902

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.

19. ISSUED CAPITAL AND RESERVES (cont'd)

Options

Options granted during the year

During the year, the Company granted the following options over unissued ordinary shares:

Class	Expiry Date	Exercise Price	Number of Options
Unlisted Options	31 March 2010	$0.20	10,000,000

The Unlisted Options were granted during the year. No options have been granted since the end of the year.

Unissued shares under option

At balance date, unissued ordinary shares of the Company under option are:

Class	Expiry Date	Exercise Price	Number of Options
Unlisted Options	31 March 2010	$0.20	20,000,000
Incentive Options	26 September 2010	$0.25	250,000

None of these options were exercised during the year. These options do not entitle the holder to participate in any share issue of the Company or any other entity.

	Consolidated		Company	
Reserves	**2008 $**	**2007 $**	**2008 $**	**2007 $**
Share- based payments reserve				
Balance at the beginning of the year	3,698	-	3,698	-
Equity-settled share-based payment	2,411	3,698	2,411	3,698
Balance at the end of the year	6,109	3,698	6,109	3,698
Option premium reserve				
Balance at the beginning of the year	-	-	-	-
Grant of options at 1.645 cents each for the acquisition of the Radiology Entities	164,500	-	164,500	-
Balance at the end of the year	164,500	-	164,500	-
Reserves at the end of the year	170,609	3,698	170,609	3,698

Share- based payments reserve

This reserve is used to record the value of equity-settled share-based payments provided to employees and directors as part of their remuneration. Refer to Note 17 for further details of share-based payments.

Option premium reserve

This reserve is used to record the value of options granted to other parties.

20. ACCUMULATED LOSSES

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Accumulated losses at the beginning of the year	(1,357,480)	(391,153)	(1,524,263)	(296,365)
Profit/ (loss) for the year	214,521	(966,327)	(751,149)	(1,227,898)
Accumulated losses at the end of the year	(1,142,959)	(1,357,480)	(2,275,412)	(1,524,263)

21. FINANCIAL INSTRUMENTS DISCLOSURE

Credit risk

Exposure to credit risk

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at the reporting date was:

	Consolidated Carrying Amount 2008 $	Consolidated Carrying Amount 2007 $	Company Carrying Amount 2008 $	Company Carrying Amount 2007 $
Cash and cash equivalents	1,925,113	191,008	817	2,638
Trade and other receivables	1,058,652	13,025	18,099,277	236,238
Other financial assets	68,330	532,938	1	524,938
	3,052,095	736,971	18,100,095	763,814

The consolidated entity's maximum exposure to credit risk for trade receivables at reporting date by geographic region was:

	Carrying Amount 2008 $	Carrying Amount 2007 $
Victoria	827,104	-
Western Australia	-	-
	827,104	-

Impairment losses

None of the Company's receivables are past due (2007: nil). The aging of the consolidated entity's trade receivables at reporting date was:

	Gross 2008 $	Impairment 2008 $	Gross 2007 $	Impairment 2007 $
Not past due				
Past due 0-30 days	707,284	-	-	-
Past due 31-120 days	14,760	-	-	-
Past due 121 days to one year	59,195	-	-	-
More than one year	45,865	-	-	-
	827,104	-	-	-

There was no allowance made for impairment in respect of trade receivables during the year.

The allowance account in respect of trade receivables is used to record impairment losses unless the consolidated entity 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.

At 30 June 2008 the consolidated entity does not have any collective impairment on its trade receivables (2007: nil).

21. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Consolidated

30 June 2008	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Secured bank loans	2,500,000	(2,500,000)	(2,500,000)	-	-	-	-
Finance lease and hire purchase liabilities	19,298	(20,246)	(4,627)	(4,627)	(10,992)	-	-
Secured equipment finance facilities	2,453,768	(2,915,224)	(484,294)	(484,294)	(699,570)	(1,247,066)	-
Unsecured loan	2,825,393	(2,825,393)	(2,825,393)	-	-	-	-
Trade and other payables	1,903,074	(1,903,074)	(1,903,074)	-	-	-	-
	9,701,533	(10,163,937)	((7,717,388)2, 704,495)	(488,921)	(710,562)	(1,247,066)	-

30 June 2007	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	
Secured loan facilities	545,118	(545,118)	(545,118)	-	-	-	-
Finance lease liabilities	26,450	(30,272)	(4,627)	(4,627)	(21,018)	-	-
Secured equipment finance facilities	373,389	(398,170)	(256,962)	(21,724)	(86,898)	(32,586)	-
Trade and other payables	387,919	(387,919)	(387,919)	-	-	-	-
	1,332,876	(1,361,479)	(1,194,626)	(26,351)	(107,916)	(32,586)	-

Company

30 June 2008	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	2-5 years
Finance lease liabilities	19,298	(20,246)	(4,627)	(4,627)	(10,992)	-	-
Secured equipment finance facilities	106,051	(119,484)	(21,724)	(21,724)	(76,036)	-	-
Trade and other payables	203,793	(203,793)	(203,793)	-	-	-	-
	329,142	(343,523)	(230,144)	(26,351)	(87,028)	-	-

30 June 2007	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	2-5 years
Finance lease liabilities	26,450	(30,272)	(4,627)	(4,627)	(21,018)	-	-
Secured equipment finance facilities	138,150	(162,932)	(21,724)	(21,724)	(86,898)	(32,586)	-
Trade and other payables	155,749	(155,749)	(155,749)	-	-	-	-
	320,349	(348,953)	(182,100)	(26,351)	(107,916)	(32,586)	-

21. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the consolidated entity's interest bearing financial instruments was:

	Consolidated Carrying Amount		Company Carrying Amount	
	2008 $	2007 $	2008 $	2007 $
Fixed rate instruments				
Financial liabilities	2,473,066	399,839	125,349	164,600
Variable rate instruments				
Financial assets	1,925,113	191,008	817	2,638
Financial liabilities	2,500,000	545,118	-	-
	4,425,113	736,126	817	2,638

Fair value sensitivity analysis for fixed rate instruments

The consolidated entity 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 is performed on the same basis for 2007.

	Profit or loss		Equity	
30 June 2008	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Variable rate instruments	(44,251)	44,251	-	-

	Profit or loss		Equity	
30 June 2007	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Variable rate instruments	(7,361)	7,361	-	-

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 amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

22. COMMITMENTS

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Operating lease commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
Within one year	1,112,118	96,363	-	-
One year or later and no later than five years	2,957,038	147,431	-	-
	4,069,156	243,794	-	-

The consolidated entity 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.

During the year ended 30 June 2008 $684,642 was recognised as an expense in the income statement in respect of operating leases (2007: $25,081).

Plant and equipment

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Within one year	1,496,138	-	-	-
One year or later and no later than five years	4,145,012	-	-	-
More than five years	82,670	-	-	-
	5,723,820	-	-	-

Management contracts

The Company has entered into an employment agreement with Mr Harrison to act as managing director of the Company, under which Mr Harrison is paid $109,000 per annum (inclusive of superannuation). At 30 June 2008, the unexpired portion of the term of agreement amounts to $99,008 (2007: $209,522).

Service contracts

The Company has entered into a service agreement with Townshend York Pty Ltd ("Townshend York"), a company associated with Mr Ho, to provide company secretarial services in connection with the operations of the consolidated entity, under which Townshend York receives $60,000 per annum. At 30 June 2008, the unexpired portion of the term of agreement amounts to $54,500 (2007: $115,333).

23. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings/ (loss) per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of $214,521 (2007: loss of $966,327) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2008 of 226,996,992 (2007: 56,100,001) calculated as follows:

	Consolidated					
	2008			2007		
Profit/ (loss) attributable to ordinary shareholders	**Continuing operations**	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Net profit/ (loss) for the year	147,278	67,243	214,521	(891,922)	(74,405)	(966,327)

23. EARNINGS PER SHARE (cont'd)

Weighted average number of ordinary shares	**Number 2008**	**Number 2007**
Issued ordinary shares at 1 July	56,100,001	56,100,001
Effect of shares issued on 30 August 2007	152,500,000	-
Effect of shares issued on 6 December 2007	15,710,383	-
Effect of shares issued on 28 March 2008	2,076,503	-
Effect of shares issued on 2 May 2008	580,105	-
	226,966,992	56,100,001

Diluted earnings per share is based on earnings for the year of $214,521 (2007 : no diluted earnings per share) and a weighted average number of ordinary shares outstanding of 245,300,325 (2007: no diluted earnings per share) which takes into account the weighted average options outstanding during the year. In 2007 there was no dilutive effect on the loss per share.

24. CONTROLLED ENTITIES

	Country of Incorporation	**Entity interest 2008**	**Entity interest 2007**
Parent entity			
Capitol Health Limited	Australia	-	-
Controlled entity			
CHL Operations Pty Ltd	Australia	100%	100%
Capitol Radiology Pty Ltd	Australia	100%	-

In the financial statements of the Company investments in subsidiaries are measured at cost. All acquired entities relating to diagnostic imaging in Melbourne are subsidiaries of Capitol Radiology Pty Ltd, but none are significant individually to the Group. All entities involved in dental operations are subsidiaries of CHL Operations Pty Ltd. In 2008 only one entity was still owned by CHL Operations Pty Ltd, and has been sold subsequent to balance sheet date.

25. ACQUISITION OF SUBSIDIARIES

Capitol Radiology Pty Ltd

On 4 July 2007, Capitol Health Limited acquired 100% of the issued capital in Capitol Radiology Pty Ltd ("Capitol Radiology") for $1.00 satisfied in cash. The Company intends to operate its diagnostic imaging operations through this wholly owned subsidiary.

From the date of acquisition, Capitol Radiology contributed $898,426 to the net profit of the consolidated entity.

Radiology Entities

On 30 August 2007, the consolidated entity acquired 100% interest in 5 entities containing 7 radiology clinics located across metropolitan Melbourne, Victoria ("Radiology Entities"). The consideration (including direct costs) for the acquisition was $14,842,354 satisfied by the issue of 183 million fully paid ordinary shares in Capitol Health Limited, at a deemed price of 8 cents per share, and 10 million unlisted options exercisable at 20 cents each on or before 31 March 2010. The shares have been valued at 8 cents per share based on an independent valuation carried out for the purposes of the acquisition. The published price of the shares at the date of acquisition (10 cents) was not used as these were not reflective of the fair value at that date due to very limited trading in the shares prior to the acquisition. In determining the fair value of the shares, the independent valuers factored in illiquidity to discount the traded share price to obtain a more reflective value of those shares.

25. ACQUISITION OF SUBSIDIARIES (cont'd)

Radiology Entities (cont'd)

The entities and interests acquired are set out below:

	Entity interest
Balaclava Medical Imaging Pty Ltd	100%
Treadwell Medical Imaging Pty Ltd	100%
Carnegie Medical Imaging Pty Ltd	100%
Vermont Medical Imaging Pty Ltd	100%
Radiology One Pty Ltd	100%

The acquisition had the following effect on the consolidated entity's assets and liabilities:

	Recognised values on acquisition	Fair value adjustments	Pre-acquisition carrying amounts
Fair value of assets and liabilities acquired:			
Property, plant and equipment	1,457,743	-	1,457,743
Trade and other receivables	131,344	-	131,344
Deferred tax asset	34,178	-	34,178
Loans and borrowings	(2,321,619)	-	(2,321,619)
Employee benefits	(113,928)	-	(113,928)
Net identifiable assets and liabilities	(812,282)	-	(812,282)
Consideration:			
Consideration, satisfied in shares	14,640,000		
Consideration, satisfied in options	164,500		
Other acquisition costs paid, satisfied in cash	37,854		
Total consideration	**14,842,354**		

The excess of the consideration over the fair value of the assets and liabilities acquired has been recognised as goodwill of $15,654,636. No other separate intangible assets have been recognised, such as customer relationships, as it has been assessed that the Radiology Entities have no control over these intangible assets.

From the date of acquisition, the Radiology Entities have contributed $904,101 net profit to the net profit of the consolidated entity. If the acquisition had been effected on 1 July 2007, the Radiology Entities would have contributed $10,266,067 revenue and $1,084,921 profit.

South East Medical Imaging

On 2 January 2008, the consolidated entity acquired South East Medical Imaging ("SEMI") containing a further 2 radiology clinics operating in Melbourne for a consideration of $3,258,701 million satisfied by cash, vendor finance and assumption of lease and employee benefits liabilities.

The acquisition had the following effect on the consolidated entity's assets and liabilities:

	Recognised values on acquisition	Fair value adjustments	Pre-acquisition carrying amounts
Fair value of assets and liabilities acquired:			
Property, plant and equipment	456,911	-	456,911
Deferred tax asset	17,610	17,610	-
Net identifiable assets and liabilities	474,521	17,610	456,911
Consideration:			
Consideration, satisfied in cash	2,700,000		
Consideration, by way of assuming liabilities	58,701		
Consideration, satisfied in loans and borrowings	500,000		
Total consideration	**3,258,701**		

25. ACQUISITION OF SUBSIDIARIES (cont'd)

South East Medical Imaging (cont'd)

The excess of the consideration over the fair value of the assets and liabilities acquired has been recognised as goodwill of $2,784,180. No other separate intangible assets have been recognised, such as customer relationships, as it has been assessed that SEMI has no control over these intangible assets.

From the date of acquisition, SEMI has contributed $171,741 net loss to the net profit of the consolidated entity. If the acquisition had been effected on 1 July 2007, SEMI would have contributed $343,484 loss. The loss from 1 July 2007 is not considered to represent a normalised result for an operating year due to large integration expenses included in the actual result that are not expected to recur.

Bell Imaging

On 28 March 2008, the consolidated entity acquired Bell Imaging ("Bell") containing 9 radiology clinics in metropolitan Melbourne for a consideration of $5,014,468 satisfied by the payment of cash, the assumption of finance lease and employee entitlement liabilities, the issue of 11,538,462 fully paid ordinary shares for an agreed amount of $750,000, and deferred consideration payable upon the achievement of certain targets in the year after settlement.

The acquisition had the following effect on the consolidated entity's assets and liabilities:

	Recognised values on acquisition	Fair value adjustments	Pre-acquisition carrying amounts
Fair value of assets and liabilities acquired:			
Property, plant and equipment	1,130,196	-	1,130,196
Deferred tax asset	267,162	267,162	-
Net identifiable assets and liabilities	1,397,358	267,162	1,130,196
Consideration:			
Consideration, satisfied in shares	750,000		
Consideration, satisfied in cash	2,009,818		
Consideration, by way of assuming liabilities	1,754,650		
Consideration, satisfied in performance based deferred consideration	500,000		
Total consideration	**5,014,468**		

The excess of the consideration over the fair value of the assets and liabilities acquired has been recognised as goodwill of $3,617,110. No other separate intangible assets have been recognised, such as customer relationships, as it has been assessed that Bell has no control over these intangible assets.

From the date of acquisition, the Bell has contributed $474,806 net profit to the net profit of the consolidated entity. If the acquisition had been effected on 1 July 2007, Bell would have contributed $12,317,055 revenue and $1,899,224 profit.

26. DISCONTINUED OPERATIONS

Subsequent to balance date the consolidated entity completed the divestment of the consolidated entity's dental operations segment. The segment was not a discontinued operation or classified as held for sale as at 30 June 2007 and the comparative income statement has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this segment in November 2007 due to a strategic decision to place greater focus on the consolidated entity's key competencies, being the diagnostic imaging operations.

	Note	2008 $	2007 $
Results of discontinued operations			
Revenue		1,337,896	1,519,744
Expenses		(1,063,304)	(1,594,149)
Impairment loss on goodwill		(263,370)	-
Profit / (loss) before tax		11,222	(74,405)
Income tax		-	-
Profit / (loss) after tax		11,222	(74,405)
Net gain on sale of discontinued operations		56,021	-
Net profit/ (loss) loss for the year		67,243	(74,405)
Basic earnings/ (loss) per share	23	0.03 cents	(0.13) cents
Cash flow (used in) / from discontinued operations			
Net cash from operating activities		365,802	745,710
Net cash from investing activities		300,754	(627,204)
Net cash used in financing activities		(780,357)	(64,643)
Net cash (used in) / from discontinued operations		(113,801)	53,863

The effect of the disposal on the financial position of the consolidated entity will be disclosed once the divestment of the dental operations segment is completed in August 2008.

27. NON-CURRENT ASSETS HELD FOR SALE

The remaining dental operations segment is presented as a disposal segment held for sale following the commitment of the Board, in November 2007, to a plan to sell this segment due to a strategic decision to place greater focus on the consolidated entity's key competencies, being the diagnostic imaging operations.

Subsequent to balance date the consolidated entity disposed of goodwill, inventory and property, plant and equipment associated with Kalamunda Dental Care for a consideration of $295,000. This sale, settled in August 2008, completed the consolidated entity's divestment of its dental operations segment.

At 30 June 2008, the disposal segment comprised assets of $303,260 less liabilities of $89,055.

An impairment loss of $263,370 on the remeasurement of the disposal segment to the lower of its carrying amount and its fair value has been recognised in other expenses.

27. NON-CURRENT ASSETS HELD FOR SALE (cont'd)

Assets classified as held for sale	Note	Consolidated 2008 $
Property, plant and equipment	13	134,545
Intangibles		135,000
Inventories		33,715
		303,260

Liabilities classified as held for sale	Note	Consolidated 2008 $
Trade and other payables		79,439
Employee benefits		9,616
		89,055

28. RELATED PARTIES

Details of key management personnel

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Directors

Mr Andrew Harrison	Managing Director (Executive)
Mr John Conidi	Director (Executive) – appointed 30 August 2007
Mr Anthony Ho	Director (Non-Executive)
Mr Steven Sewell	Director (Non-Executive) – appointed 6 February 2008
Dr Russell Fine	Director (Non-Executive) – appointed 1 December 2005, resigned 30 August 2007

Executives

There were no executives during the 2007 or 2008 reporting periods.

Key management personnel remuneration

The key management personnel remuneration included in "personnel expenses" (see Note 6) is as follows:

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Short-term employee benefits	257,177	171,120	145,831	171,120
Post-employment benefits	9,000	9,000	9,000	9,000
	266,177	180,120	154,831	180,120

28. RELATED PARTIES (cont'd)

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

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

	Transaction	Note	Transactions value year ended 30 June 2008	2007	Balance outstanding as at 30 June 2008	2007
Directors						
Mr A Ho	Secretarial and accounting fees	(i)	171,505	118,883	83,410	40,295
Dr R Fine	Sales revenue – service fee	(ii)	57,166	452,903	-	-
Dr R Fine	Dental fees	(iii)	24,444	198,063	-	20,148

Notes in relation to the table of related party transactions

(i) A company associated with Mr Ho, Townshend York Pty Ltd ("Townshend York"), provides company secretarial services in connection with the operations of the consolidated entity. Terms for such services are based on market rates, and amounts are payable on a monthly basis.

(ii) Pursuant to a Services Agreement and Facilities Licence dated 2 May 2006 ("SAFL"), CHL Operations provides Dr Fine administration and billing services, equipment and serviced premises for the use of dentists to conduct Dr Fine's dental practice from Booragoon Dental Clinic. Terms for such services, administration and accommodation are based on market rates, and amounts are payable on a monthly basis.

(iii) Dr Fine provides dental services in connection with the operations of CHL Operations pursuant to the SAFL dated 2 May 2006. Terms for such services are based on market rates, and amounts are payable on a monthly basis.

Options and rights over equity instruments

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

	Held at 1 July 2007	Issued	Exercised	Other changes	Held at 30 June 2008	Vested at 30 June 2008	Vested and exercisable at 30 June 2008
Directors							
Mr A Harrison	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000
Mr J Conidi	-	-	-	-	-	-	-
Mr A Ho	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
Mr S Sewell	-	-	-	-	-	-	-
Dr R Fine	2,500,000	-	-	-	2,500,000	-	-

	Held at 1 July 2006	Granted as compensation	Exercised	Other changes	Held at 30 June 2007	Vested at 30 June 2007	Vested and exercisable at 30 June 2007
Directors							
Mr A Harrison	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000
Dr R Fine	2,500,000	-	-	-	2,500,000	2,500,000	2,500,000
Mr A Ho	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000

No options held by key management personnel are vested but not exercisable at 30 June 2007 or 2008.

28. RELATED PARTIES (cont'd)

Movements in shares

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

	Held at 1 July 2007	Held at date of appointment	Purchases	Received on exercise of options	Other changes	Held at date of resignation	Held at 30 June 2008
Directors							
Mr A Harrison	13,400,001	N/A	-	-	-	N/A	13,400,001
Mr J Conidi	-	55,618,464	237,100	-	(29,309,232)	N/A	26,546,332
Mr A Ho	1,000,000	N/A	-	-	-	N/A	1,000,000
Mr S Sewell	-	100,000	-	-	-	N/A	100,000
Dr R Fine	7,550,000		-	-	-	7,550,000	N/A

	Held at 1 July 2006	Purchases	Received on exercise of options	Other changes	Held at date of resignation	Held at 30 June 2007
Directors						
Mr A Harrison	13,400,001	-	-	-	N/A	13,400,001
Dr R Fine	7,550,000	-	-	-	N/A	7,550,000
Mr A Ho	1,000,000	-	-	-	N/A	1,000,000

No shares were granted to key management personnel during the reporting period as compensation in 2007 or 2008.

Non-key management personnel disclosures

Loans are made by the Company to its wholly owned subsidiary for capital purchases and working capital purposes. The loans outstanding between the Company and its subsidiary has no fixed date of repayment and is non-interest bearing. Details of the Company's interest in its subsidiary are set out in Note 24.

Aggregate amounts receivable from the subsidiary are as follows (Note 10):

	Company 2008 $	Company 2007 $
Non-current		
Unsecured loans to controlled entity	18,364,659	768,729
Impairment	(536,701)	(536,701)
	17,827,958	232,028

No dividends were received from the subsidiary in the 2008 or 2007 financial year.

29. SEGMENT INFORMATION

Business segments

The consolidated entity comprises the following main business segments:

- *Dental operations:* The acquisition of dental surgeries and facilities and the provision of administration and management services to those surgeries.
- *Diagnostic imaging operations:* The acquisition of diagnostic imaging businesses and facilities.

Geographic segments

The dental operations segment operates from Perth, Western Australia. The diagnostic imaging segment operates from Melbourne, Victoria. In August 2008 the consolidated entity completed the divestment of the consolidated entity's dental operations segment. The segment was not a discontinued operation or classified as held for sale as at 30 June 2007 and the comparative segment note has been re-presented to show the discontinued operation separately from continuing operations.

	Diagnostic Imaging (continuing) operations		Dental (discontinued) operations		Consolidated	
	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $
Revenue						
Segment revenue	13,413,336	-	1,337,896	1,519,744	14,751,232	1,519,744
Unallocated interest revenue					38,685	42,687
					14,789,917	1,562,431
Result						
Segment result	898,427	-	67,243	(74,405)	965,670	(74,405)
Unallocated corporate expenses					(751,149)	(891,922)
					214,521	(966,327)
Depreciation and amortisation	635,428	-	55,670	107,254	691,098	107,254
Unallocated corporate expenses					27,570	112,931
					718,668	220,185
Assets						
Segment assets	29,208,430	-	615,602	1,430,642	29,824,032	1,430,642
Unallocated corporate assets					74,212	607,901
Consolidated total assets					29,898,244	2,038,543

All fixed assets purchased during the year relate to the diagnostic imaging segment.

	Diagnostic Imaging (continuing) operations		Dental (discontinued) operations		Consolidated	
	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $
Liabilities						
Segment liabilities	10,505,219	-	89,356	1,031,831	10,594,575	1,031,831
Unallocated liabilities					621,693	337,592
Consolidated total liabilities					11,216,268	1,369,423

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
30. RECONCILIATION OF CASH FLOWS PROVIDED BY/ (USED IN) OPERATING ACTIVITIES				
Cash flows from operating activities				
Profit/(loss) for the year	214,521	(966,327)	(751,149)	(1,227,898)
Adjustments for:				
Depreciation	716,144	219,694	27,571	112,931
Impairment losses on reclassification to Assets Held for Sale (see Note 27)	263,370	-	-	-
Impairment of goodwill	-	250,000	-	-
Share-based payment expense	2,411	-	2,411	-
Net gain on sale of assets	(11,039)	-	-	-
Income tax expense	139,670	-	(22,577)	-
Operating profit/(loss) before changes in working capital and provisions	1,325,077	(496,633)	(743,744)	(1,114,967)
Change in trade and other receivables	(109,055)	15,009	-	8,716
Change in inventories	92,164	(4,653)	-	-
Change in other assets	(887,434)	-	-	-
Change in trade and other payables	1,568,454	200,475	42,904	87,830
Change in provisions and employee benefits	181,530	8,990	6,263	346,633
Net cash provided by/ (used in) operating activities	2,170,736	(276,812)	(694,577)	(671,788)

Further information on banking facilities can be found in Note 18.

31. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to balance date, the consolidated entity entered into a Business Sale agreement under which it disposed of goodwill, inventory and property, plant and equipment associated with Kalamunda Dental Care for a consideration of $295,000.

The financial effect of the above transaction has not been brought to account in the financial statements for the year ended 30 June 2008.

In the opinion of the directors of Capitol Health Limited:

(a) the financial statements and notes 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 2008 and of their performance, for the financial period ended on that date; and

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

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

(c) the remuneration disclosures included on pages 8 to 10 of the remuneration report in the directors' report for the year ended 30 June 2008 comply with s300A of the Corporations Act 2001; and

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

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the managing director and chief financial officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors and is signed on their behalf by:

John Conidi
Managing Director

Dated at Melbourne, Victoria this 30th day of September 2008.

BDO Kendalls

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INDEPENDENT AUDITOR'S REPORT

To the members of Capitol Health Limited

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Capitol Health Limited for the year ended 30 June 2008 included on Capitol Health Limited's web site. The company's directors are responsible for the integrity of Capitol Health Limited's web site. We have not been engaged to report on the integrity of Capitol Health Limited's web site. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Report on the Financial Report

We have audited the accompanying financial report of Capitol Health Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's 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 company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the 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 as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 8 to 10 of the directors' report for the year ended 30 June 2008. 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 year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001.*

BDO Kendalls

BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd
Chartered Accountants

NICHOLAS E. BURNE
Director

Melbourne
30 September 2008

Details of shares and options as at 30 September 2008:

Top holders

The 20 largest holders of each class of equity security as at 30 September 2008 were:

Fully paid ordinary shares

	Name	No. of Shares	%
1.	Kingsley Amber Pty Ltd <Hunt Family A/C>	34,449,072	12.37
2.	Monaco Bond Pty Ltd <Mobilio Family A/C>	25,408,656	9.13
3.	Nick Conidi Pty Ltd <Conidi Family A/C>	24,809,232	8.91
4.	Idinoc Pty Ltd <J & R Conidi Family A/C>	24,054,672	8.64
5.	Ms Stella Ha	19,378,464	6.96
6.	Gia Chau Pty Ltd	17,734,752	6.37
7.	Harry Kaplan Pty Ltd <H & C Kaplan Family A/C>	17,157,600	6.16
8.	Relentless Corporation Pty Ltd <Sun Tzu A/C>	13,400,000	4.81
9.	Yarra Braes Pty Ltd <Yarra Braes A/C>	7,109,280	2.55
10.	Mr Wayne David McGregor	5,769,231	2.07
11.	Mr John Richard Sauvey	5,769,231	2.07
12.	Mr Russell Jonathon& Ms Jessica Rachel Fine <RJ Fine Services>	4,780,081	1.72
13.	Mr Jo Upton <Coup Discretionary A/C>	4,500,000	1.62
14.	Worldwide Pty Ltd	4,500,000	1.62
15.	Fine Superannuation Fund Pty Ltd <Fine Super Fund A/C>	3,789,919	1.36
16.	Ms Tracie Leanne Clark	2,959,191	1.06
17.	Liew Serng Yee	2,731,409	0.98
18.	Profit & Resource Management Pty Ltd <Collins Superannuation A/C>	2,475,000	0.89
19.	Goay Choo Lim	2,300,000	0.83
20.	Colbern Fiduciary Nominees Pty Ltd	2,272,222	0.82
		225,348,012	80.94

Options exercisable at $0.20 each on or before 31 March 2010

	Name	No. of Options	%
1.	Worldwide Pty Ltd	10,000,000	50.00
2.	Relentless Corporation Pty Ltd <Sun Tzu Trust>	5,000,000	25.00
3.	R J & J R Fine <RJ Fine Services A/C>	2,500,000	12.50
4.	L S Yee	1,500,000	7.50
5.	A Ho	1,000,000	5.00
		20,000,000	100.00

Distribution schedules

A distribution of each class of equity security as at 30 September 2008:

Ordinary fully paid shares

Range	Holders	Units	%
1 - 1,000	3	752	0.00
1,001 - 5,000	18	61,710	0.02
5,001 - 10,000	102	995,650	0.36
10,001 - 100,000	115	5,610,445	2.02
100,001 - Over	107	271,747,684	97.60
Total	345	278,416,241	100.00

Options exercisable at $0.20 each on or before 31 March 2010

Range	Holders	Units	%
1 - 1,000	-	-	0.00
1,001 - 5,000	-	-	0.00
5,001 - 10,000	-	-	0.00
10,001 - 100,000	-	-	0.00
100,001 - Over	5	20,000,000	100.00
Total	5	20,000,000	100.00

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Substantial shareholder	Number of Shares
Kingsley Amber Pty Ltd	34,449,072
Monaco Bond Pty Ltd	25,408,656
Nick Conidi Pty Ltd	24,809,232
Idinoc Pty Ltd	24,054,672
Ms Stella Ha	19,378,464
Gia Chau Pty Ltd	17,734,752
Harry Kaplan Pty Ltd	17,157,600

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 8,334 as at 30 September 2008):

Holders	Units
29	119,412

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.