



28 February 2007

Company Announcements Office
Australian Stock Exchange
PO Box H224
Australia Square
Sydney NSW 2000

Dear Sir or Madam

Please find attached the Company's ASX Appendix 4D and the Half Yearly Report for the period to 31 December 2006.

Yours faithfully

Andrew Harrison
Managing Director

att.

About Capitol Health Limited

Capitol Health Limited is an Australian listed company (ASX: CAJ) providing excellence in services and facilities to dentists. The Company's objective is to build a leading dental healthcare business generating sustainable growth and profitability for our shareholders and delivering superior patient experiences at our dental centres. Visit our website www.capitolhealth.com.au.



Appendix 4D

Half Year Report Period Ended 31 December 2006

Results for announcement to the Market

	<u>Percentage Change</u>		<u>\$'000</u>
Revenue from ordinary activities	N/A	to	659
Loss from ordinary activities after tax attributable to members	N/A	to	(275)
Net loss for the period attributable to members	N/A	to	(275)

Dividends

	Amount per security	Percentage Franked
Current period:		
Interim Dividend	Nil	N/A
Date the Dividend is Payable:		N/A
Record Date for determining entitlements to the Dividend:		N/A
Prior corresponding period:		
Interim Dividend	Nil	N/A

Net Tangible Assets per Security

As at 31 December 2006	0.88 cents
As at 31 December 2005	N/A

Note: The Company was not operational in the previous period.



ABN 84 117 391 812

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2006

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2006 and the auditor's review report thereon:

1. Directors

The directors of the Company during the half-year and up to the date of this report are:

Name	Period of directorship
Mr Andrew Harrison <i>Managing Director</i>	Director since 1 December 2005
Dr Russell Fine <i>Non-Executive Director</i>	Director since 1 December 2005
Mr Anthony Ho <i>Non-Executive Director</i>	Director since 1 December 2005

2. Results

The loss of the consolidated entity for the half-year was \$274,773 (2005: \$1,050) after income tax of nil (2005: nil).

3. Review of Activities

Financials

The Group's financial performance for the period was in line with management expectations generating a loss before tax of \$274,773. Before corporate and administration costs the operations achieved EBITDA of approximately \$186,000 (29% return on sales). This result included less than 3 months' contribution from our Kalamunda operation.

Since its inception the business has made acquisitions worth a total of \$1.65 million, funded though a mixture of equity and debt. These acquisitions are in line with plan, with the Company having a total debt to total assets ratio of 33%.

Operations

On an operational basis the Company has made progress on a number of fronts. The acquisition of the Kalamunda dental centre during the period has contributed strongly to earnings. Subsequent to the end of the period a new associate dentist was appointed in the clinic, along with a new hygienist. Early indications are that this will contribute strongly to revenue growth from that centre, and underpin the strategic model of acquisition and organic growth.

The Company has also instigated the recruitment of additional associate dentists both from within Australia, and overseas trained dentists whose qualifications are recognised in Australia. The Company recently appeared in a BBC documentary shown in the UK to illustrate work and lifestyle opportunities in Australia for a range of professions.

The Company continued to implement a number of systems and management structures to improve the operational efficiency of the business. These included infection control and other clinically related processes, along with work on a new integrated accounting and IT platform to generate back office efficiencies.

Operationally, the Company is committed to continuing a high standard of clinical practice and care in its surgeries and facilities.

Growth

The Company continues to seek growth through acquisition of new surgeries and facilities. Relationships have been developed with a number of intermediaries as sources of potential acquisition referrals. This has resulted in the identification of a number of new acquisition opportunities with whom we are currently negotiating.

DIRECTORS' REPORT

4. Auditor's independence declaration under Section 307C of the Corporations Act 2001

The auditor's declaration is set out on page 12 and forms part of the directors' report for the half-year ended 31 December 2006.

Dated at Perth, Western Australia, this 28th day of February 2007.

Signed in accordance with a resolution of the directors:



Andrew Harrison
Managing Director



CONDENSED INTERIM INCOME STATEMENT
for the half-year ended 31 December 2006

	Consolidated 2006 \$	For the period 1 to 31 December 2005 Consolidated 2005 \$
Sales revenue	640,161	-
Cost of sales	(80,809)	-
Gross profit	559,352	-
Other revenue from ordinary activities	18,923	-
Operational expenses	(350,036)	-
Marketing and distribution expenses	(75,073)	-
Corporate and administrative expenses	(327,515)	(1,050)
Occupancy expenses	(58,017)	-
Borrowing costs	(41,785)	-
Other expenses	(622)	-
Loss before income tax	(274,773)	(1,050)
Income tax	-	-
Net loss attributable to equity holders of the parent	(274,773)	(1,050)
Basic loss per share		
Ordinary shares (cents)	(0.49)	(0.00)

The Company's potential ordinary shares are not considered dilutive and accordingly the basic loss per share is the same as diluted loss per share.

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

CONDENSED INTERIM BALANCE SHEET
as at 31 December 2006

		Consolidated	
	Note	31 December 2006 \$	30 June 2006 \$
CURRENT ASSETS			
Cash and cash equivalents		914,298	1,830,089
Trade and other receivables		12,120	30,790
Inventories		172,683	121,225
Other		31,525	8,000
Total Current Assets		1,130,626	1,990,104
NON CURRENT ASSETS			
Intangibles	7	861,412	463,042
Property, plant and equipment		549,581	371,907
Total Non Current Assets		1,410,993	834,949
TOTAL ASSETS		2,541,619	2,825,053
CURRENT LIABILITIES			
Trade and other payables		326,205	320,747
Provisions		14,905	27,557
Interest bearing loans	9	72,381	63,015
Total Current Liabilities		413,491	411,319
NON CURRENT LIABILITIES			
Interest bearing loans	9	771,152	781,985
Total Non Current Liabilities		771,152	781,985
TOTAL LIABILITIES		1,184,643	1,193,304
NET ASSETS		1,356,976	1,631,749
EQUITY			
Issued capital	8	2,022,902	2,022,902
Accumulated losses		(665,926)	(391,153)
TOTAL EQUITY		1,356,976	1,631,749

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2006

	Consolidated 2006 \$	For the period 1 to 31 December 2005 Consolidated 2005 \$
Cash flows from operating activities		
Cash receipts in the course of operations	640,161	-
Cash payments in the course of operations	(814,016)	-
Interest received	18,923	-
Net cash used in operating activities	(154,933)	-
Cash flows used in investing activities		
Payments for property, plant and equipment	(234,170)	-
Payments for intangible assets	(398,370)	-
Net cash used in investing activities	(632,540)	-
Cash flows from financing activities		
Proceeds from issue of shares	-	3,211
Transaction costs from issue of shares	(126,850)	-
Proceeds from borrowings	31,500	-
Repayment of borrowings	(32,968)	-
Net cash provided by/(used in) financing activities	(128,318)	3,211
Net increase/ (decrease) in cash and cash equivalents held	(915,791)	3,211
Cash and cash equivalents at the beginning of the period	1,830,089	-
Cash and cash equivalents at the end of the period	914,298	3,211

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2006

Consolidated	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 30 June 2006	2,022,902	-	(391,153)	1,631,749
Loss for the period	-	-	(274,773)	(274,773)
At 31 December 2006	2,022,902	-	(665,926)	1,356,976

Consolidated	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 December 2005	-	-	-	-
Loss for the period	-	-	(1,050)	(1,050)
Issue of share capital	3,211	-	-	3,211
Share issue costs	(53,182)	-	-	(53,182)
At 31 December 2005	(49,971)	-	(1,050)	(51,021)

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

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
for the half-year ended 31 December 2006

1. REPORTING ENTITY

Capitol Health Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity"). The consolidated annual financial report of the consolidated entity as at 30 June 2006 and for the period since incorporation on 1 December 2005 to 30 June 2006 is available upon request from the Company's registered office or may be viewed on the Company's website, www.capitolhealth.com.au.

The Company was incorporated on 1 December 2005 and accordingly the comparative Income Statement, Statement of Cashflow, and Statement Of Changes In Equity amounts are for the period from 1 December 2005 to 31 December 2005.

2. BASIS OF PREPARATION

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards AASB 134 Interim Financial Reports and the Corporations Act 2001. The financial report has been prepared on the historical cost basis.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006. It is also recommended that the consolidated interim financial report be considered together with any public announcements made by the consolidated entity during the six months ended 31 December 2006 in accordance with continuous disclosure obligations under the Corporations Act 2001.

For the purposes of preparing the consolidated interim financial report, the six months ended 31 December 2005 has been treated as a discrete reporting period.

This consolidated interim financial report was approved by the Board of Directors on 28 February 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the period since incorporation on 1 December 2005 to 30 June 2006.

4. ESTIMATES

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the period since incorporation on 1 December 2005 to 30 June 2006.

5. SEGMENT REPORTING

The consolidated entity's activities are predominantly located in Perth, Western Australia. The principal activity of the consolidated entity is the acquisition of dental surgeries and facilities and the provision of administration and management services to those surgeries. More than 90% of the Company's revenue from ordinary activities and more than 90% of the Company's assets relate to these operations.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
for the half-year ended 31 December 2006

6. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 31 December 2006 the consolidated entity acquired assets with a cost of \$234,170 (for the period from 1 to 31 December 2005: nil).

7. GOODWILL

The consolidated entity performed impairment testing of goodwill during the six months ended 31 December 2006.

	31 December 2006 \$	30 June 2006 \$
Goodwill arising through business acquisitions:		
Acquisition of Banksia Dental Care – at cost	191,080	191,080
Less: Impairment loss	(191,080)	(191,080)
Acquisition of Booragoon Dental Clinic – at cost	463,042	463,042
Less: Impairment loss	-	-
Acquisition of Kalamunda Dental Care – at cost	398,370	-
Less: Impairment loss	-	-
	861,412	463,042

Recoverable amount testing was performed for each of Booragoon Dental Clinic and Kalamunda Dental Care as at 31 December 2006. The recoverable amount was based on fair value less costs to sell. The calculated recoverable amount exceeds the carrying amount of the goodwill of each of Booragoon Dental Clinic and Kalamunda Dental Care such that no impairment of the goodwill has occurred.

8. ISSUED CAPITAL

Issued and Paid-Up Capital

	31 December 2006 \$	30 June 2006 \$
56,100,001 (June 2006: 56,100,001) fully paid ordinary shares	2,022,902	2,022,902

Options

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

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

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
for the half-year ended 31 December 2006

9. INTEREST-BEARING LOANS

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2006:

	Carrying Amount	Interest Rate
	\$	%
Balance at 1 July 2006	845,000	8.55 to 10.65
New issues		
Loan acquired	31,500	
Repayments		
Secured bank loan	(31,047)	
Finance lease liabilities	(1,920)	
Balance at 31 December 2006	843,533	

There were no new loans and borrowings or repayments made in the prior interim period.

10. CONTINGENT LIABILITIES

The consolidated entity does not have any contingent liabilities at balance date or the date of this report.

11. RELATED PARTIES

Other related party transactions

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

			31 Dec 2006	31 Dec 2005
Transaction	Note		\$	\$
Directors				
Mr A Ho	Secretarial and accounting fees	(i)	(53,037)	(2,995)
Dr R Fine	Sales revenue – service fee	(ii)	207,654	-
Dr R Fine	Dental fees	(iii)	(89,465)	-

- (i) A company associated with Mr Ho, Townshend York Pty Ltd (“Townshend York”), provides company secretarial and accounting 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.

Amounts outstanding at balance date were as follows:

			31 Dec 2006	30 Jun 2006
Director	Transaction		\$	\$
Mr A Ho	Secretarial and accounting fees	(i)	(6,281)	(2,995)

All outstanding balances with these related parties are to be settled in cash within 1 month of the balance sheet date. None of the balances are secured.

12. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to balance date that would have a material financial effect on the financial statements for the half year period ended 31 December 2006.

DIRECTORS' DECLARATION

In the opinion of the directors of Capitol Health Limited (the "Company"):

1. the financial statements and notes set out on pages 4 to 10 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth, Western Australia, this 28th day of February 2007.

Signed in accordance with a resolution of the Directors:


Andrew Harrison
Managing Director

28 February 2007

Board of Directors
Capitol Health Limited
Level 3 Mercury House
33 Richardson Street
West Perth WA 6005

Dear Directors

RE: CAPITOL HEALTH LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Capitol Health Limited.

As Audit Director for the review of the financial statements of Capitol Health Limited for the half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

**STANTONS INTERNATIONAL
(Authorised Audit Company)**



**John Van Dieren
Director**

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Capitol Health Limited, which comprises the consolidated condensed balance sheet as at 31 December 2006, and the consolidated condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Capitol Health Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to

obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

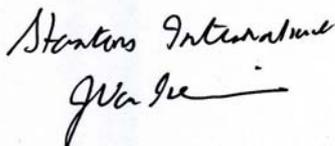
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Capitol Health Limited on 28 February 2007.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Capitol Health Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL (An authorised audit company)



Stantons International
J P Van Dieren

J P Van Dieren
Director

West Perth, Western Australia
28 February 2007