



ABN 84 117 391 812

In accordance with Listing Rule 4.2A, the Interim Financial Report for the six months ended 31 December 2011 and ASX Appendix 4D – Half Year Report for the listed entity Capitol Health Limited (ASX: CAJ) follow this announcement. This information is to be read in conjunction with the annual report for the year ended 30 June 2011.

Authorised by:

A handwritten signature in black ink, appearing to read "John Conidi", is written over a horizontal line.

John Conidi

Managing Director

Dated at Melbourne, Victoria this 24th day of February 2012

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The following information is provided to the ASX under listing rule 4.2A.3.

1 *Details of the reporting period and the previous corresponding period.*

Financial Period	6 Months ending 31 December 2011
Previous Corresponding Reporting Period	6 Months ending 31 December 2010

2 *Results for announcement to the market*

2.1 *The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.*

\$ Revenue from Ordinary Activities - current period	\$'000	25,635
\$ Revenue from Ordinary Activities - previous period	\$'000	21,433
\$ change in Revenue from Ordinary Activities	\$'000	4,202
% change from previous corresponding reporting period	%	19.6%

2.2 *The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.*

\$ Profit (loss) from ordinary activities after tax - current period	\$'000	1,267
\$ Profit (loss) from ordinary activities after tax - previous period	\$'000	732
\$ change in profit (loss) from ordinary activities after tax	\$'000	535
% change from previous corresponding reporting period	%	73.1%

2.3 *The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members.*

\$ Net profit (loss) attributable to members - current period	\$'000	1,267
\$ Net profit (loss) attributable to members - previous period	\$'000	732
\$ change in net profit (loss) attributable to members	\$'000	535
% change from previous corresponding reporting period	%	73.1%

2.4 *The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.*

An Interim Dividend has been declared for the 6 months ending 31 December 2011. The Interim Dividend is declared at an amount of \$0.002 (Point two of one cent) per security. The Interim Dividend is fully franked.

2.5 *The record date for determining entitlements to the dividends (if any).*

The Record Date for determining the entitlement to the Interim Dividend is 12 April 2012.

2.6 *A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.*

Please refer to the attached Interim Report for the Period ending 31 December 2011

3 *Net tangible assets per security with the comparative figure for the previous corresponding period.*

Net tangible Assets per Security	As at 31 December 2011	Cents	0.176
Previous corresponding period	As at 31 December 2010	Cents	(0.296)

4 *Details of entities over which control has been gained or lost during the period,*

4.1 *Name of the entity.*

Not Applicable

Appendix 4D
Half Year Report to the Australian Securities Exchange
Capitol Health Limited and Controlled Entities - ABN 84 117 391 812
Period ending 31 December 2011

4 *Continued*

4.2 ***The date of the gain or loss of control.***

Not Applicable

4.3 ***Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.***

Not Applicable

5 ***Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution.***

The Directors have declared an Interim Dividend in relation to the half year ended 31 December 2011. The individual dividend per share is \$0.002 (Point two of one cent) per share. Total Interim Dividend payable is \$607,454 based on 303,726,809 ordinary shares on issue as at 31 December 2011.

An additional amount of up to \$91,118 may be payable on up to 45,559,021 ordinary shares that may be issued to IM Medical Limited should completion of the acquisition of radiology operations from that entity occur prior to the Record Date.

An additional amount of up to \$50,621 may be payable on up to 25,310,568 listed options that may be exercised and converted into ordinary shares prior to the Record Date.

Record Date of the Interim Dividend is 12 April 2012.

Payment Date of the Interim Dividend is 20 April 2012.

There is no foreign conduit income attributed to the dividend.

6 ***Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.***

The shareholders of Capitol Health Limited approved a dividend reinvestment plan at a general meeting convened on 20 December 2011.

The last date for receipt of an election notice to participate in the dividend reinvestment plan in relation to the Interim Dividend declared for the half year ending 31 December 2011 is 12 April 2012.

The base price for the conversion of dividend into additional shares for the dividend reinvestment plan will be set over the previous 20 trading days from the record date.

For the purposes of this Interim Dividend a discount of 7.5% to the base price will apply.

7 ***Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities and - where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.***

Not Applicable

8 ***For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Financial Reporting Standards).***

Not Applicable

9 ***For all entities, if the accounts are subject to audit dispute or qualification, a description of the dispute or qualification.***

The Directors are not aware of any dispute or qualification to the accounts upon which this report is based.



ABN 84 117 391 812

INTERIM REPORT

31 DECEMBER 2011

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CAPITOL HEALTH LIMITED

ABN 84 117 391 812

INTERIM REPORT - 31 DECEMBER 2011

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Capitol Health Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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DIRECTORS REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2011 for Capitol Health Limited and its subsidiaries ("Group") 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 John Conidi <i>Managing Director</i>	Director since 30 August 2007
Mr Dominik Kucera <i>Executive Director</i>	Director since 31 July 2008
Mr Andrew Harrison <i>Non-Executive Director</i>	Director since 1 December 2005
Mr Steven Sewell <i>Non-Executive Director</i>	Director since 6 February 2008

2. Results

The profit for the Group for the half-year was \$1,267,074 (2010: \$731,549) after income tax expense of \$487,763 (2010: \$313,521).

3. Review of Activities

First half financial year 2011/12

The Directors are pleased to report the substantial growth in revenues and profitability for the period over the previous comparative six months.

The revenue growth has come from contributions from recent acquisitions and substantial organic growth from existing facilities. The growth is more the better given changes to the Medicare rebates for Teleradiology in the most recent federal Budget that slashed the rates by some 75% - the rate reduction producing a corresponding reduction in Teleradiology revenue for the corresponding comparative period.

The Directors attribute the majority of revenue increase to maintaining a recognised Bulk Billing pricing model with our Referrers. This contrasts with our competitors who generally have demonstrated revenue growth more or less than the average increase in the market of 4% and are still struggling with a movement back to Bulk Billing from a "gap" or fee charging model.

Profitability has risen as a result of the efficiencies gained through our recent investment in technology and reaching a critical mass in terms of turnover against resources employed.

A significant level of cash generated from Operating Activities has been spent to more closely align Trade and other creditors with the debtors cycle, this being demonstrated in the reduction of the net current asset deficit whilst still maintaining a high level of self funded capital expenditure.

The Group has moved into positive net tangible assets.

The Group has become the second largest network of diagnostic imaging facilities within the Victorian market.

DIRECTORS REPORT

3. Review of Activities (cont.)

Second half financial year 2011/12

Results to date for the second half still indicate revenues being maintained at levels comparable to the first half.

The Group has commenced a voluntary accelerated payment regime to the CBA to reduce the secured bank loan to minimal levels by the end of the 2012 calendar year.

The strength of the performance to date has allowed the Directors to declare the maiden dividend for the Group, based on the results for the first half.

Investment in technology, in both operating equipment and infrastructure will continue.

The Directors will continue to seek viable acquisitions and further improvements to the organic facility network.

4. Events subsequent to reporting date

Other than any matters described in this report and in Note 15 to the financial statements, there has not arisen in the interval between the end of the half year period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

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

The auditor's declaration is set out on page 3 and forms part of the Directors' report for the half-year ended 31 December 2011.

This report is presented in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



John Conidi
Managing Director
Dated at Melbourne, Victoria this 24th day of February 2012

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RSM Bird Cameron Partners

Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Capitol Health Limited for the half year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

R B Miano

R B MIANO
Partner

Dated: 24 February 2012
Melbourne, Victoria

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 For the half year ended 31 December 2011

<i>Continuing Operations</i>	Note	2012 \$	2011 \$
Revenue	3	25,253,245	21,433,415
Other Income	4	381,553	164,204
Employee & Contractor benefits expense		(14,564,416)	(11,650,024)
Equipment-related expense		(2,621,723)	(2,082,593)
Management fees		(392,391)	(1,728,087)
Occupancy expense		(1,703,907)	(1,339,117)
Consumables expense		(1,136,190)	(812,863)
Telecommunications expense		(548,033)	(452,925)
Computer IT & Support expense		(313,842)	(233,427)
Insurance expense		(149,832)	(132,563)
Impairment of assets		(60,220)	-
Other expenses		(1,078,130)	(874,939)
Interest expense		(305,172)	(343,570)
Depreciation & Amortisation expense		(1,006,105)	(902,441)
Profit before income tax		1,754,837	1,045,070
Income tax on continuing operations		(487,763)	(313,521)
Profit from continuing operations		1,267,074	731,549
Total comprehensive income for the period		1,267,074	731,549
Profit for the period attributable to owners of the parent		1,267,074	731,549
Total comprehensive income for the period attributable to owners of the parent		1,267,074	731,549
Earnings per share (cents)			
Total basic earnings for the period	9	0.42	0.24
Total diluted earnings for the period	9	0.39	0.23

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 As at 31 December 2011

	Note	31 December 2011 \$	30 June 2011 \$
<u>CURRENT ASSETS</u>			
Cash and cash equivalents		1,178,653	1,201,354
Trade and other receivables		1,437,086	1,233,179
Other assets		453,809	359,386
Total Current Assets		3,069,548	2,793,919
<u>NON-CURRENT ASSETS</u>			
Deferred Tax Assets		761,148	646,381
Property Plant & Equipment		9,168,998	9,392,068
Intangibles	7	20,943,830	20,880,864
Total Non-Current Assets		30,873,976	30,919,313
TOTAL ASSETS		33,943,524	33,713,232
<u>CURRENT LIABILITIES</u>			
Trade and Other Payables		3,916,661	5,059,683
Employee Benefits		870,174	678,810
Income Tax Liability		727,366	138,604
Loans and Borrowings		1,895,161	1,857,868
Total Current Liabilities		7,409,362	7,734,965
<u>NON-CURRENT LIABILITIES</u>			
Employee Benefits		171,155	256,743
Loans and Borrowings		4,884,178	5,509,769
Total Non-Current Liabilities		5,055,333	5,766,512
TOTAL LIABILITIES		12,464,695	13,501,477
NET ASSETS		21,478,829	20,211,755
<u>EQUITY</u>			
Issued Capital	9	20,541,091	20,541,091
Retained profits/(accumulated losses)		937,738	(329,336)
Equity attributable to owners of the parent		21,478,829	20,211,755
TOTAL EQUITY		21,478,829	20,211,755

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

CONSOLIDATED STATEMENT OF CASH FLOWS
 For the half year ended 31 December 2011

	2012	2011
	\$	\$
Cash flows from operating activities		
Cash receipts in the course of operations	25,430,890	21,728,304
Cash payments in the course of operations	(23,435,704)	(18,546,038)
Interest received	9,601	22,082
Interest paid	(305,172)	(343,570)
Net cash provided by operating activities	1,699,615	2,860,814
Cash flows from investing activities		
Proceeds from sale of property plant & equipment	100,000	-
Payments for property, plant and equipment	(866,209)	(1,070,184)
Payments for business acquisitions	-	(275,000)
Net cash used in investing activities	(766,209)	(1,345,184)
Cash flows from financing activities		
Payment for leasing arrangements	(725,698)	(874,293)
Repayment of secured loans to external entities	(208,409)	(248,922)
Repayment of unsecured loans to external entities	(22,000)	(218,000)
Net cash used in financing activities	(956,107)	(1,341,215)
Net increase/(decrease) in cash and cash equivalents	(22,701)	174,415
Cash and cash equivalents at 1 July	1,201,354	679,740
Cash and cash equivalents at period end	1,178,653	854,155

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 As at 31 December 2011

	Issued Capital	Reserves	Retained Earnings/ (Losses)	Total Equity
	\$	\$	\$	\$
Balance as at 30 June 2010	20,541,091	6,109	(1,291,345)	19,255,855
Profit for the period	-	-	731,549	731,549
<i>Total comprehensive income for the period</i>	-	-	731,549	731,549
Expiry of share options	-	(6,109)	-	(6,109)
<i>Total transactions with owners in their capacity as owners</i>	-	(6,109)	-	(6,109)
Balance as at 30 December 2010	20,541,091	-	(559,796)	19,981,295
Balance as at 30 June 2011	20,541,091	-	(329,336)	20,211,755
Profit for the period	-	-	1,267,074	1,267,074
<i>Total comprehensive income for the period</i>	-	-	1,267,074	1,267,074
Balance as at 31 December 2011	20,541,091	-	937,738	21,478,829

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2011 comprises the Company and its subsidiaries (together referred to as the "Group"). The consolidated annual financial report of the Group as at 30 June 2011 is available upon request from the Company's registered office or may be viewed on the Company's website, www.capitolhealth.com.au

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 consolidated interim 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 Group as at and for the year ended 30 June 2011. It is also recommended that the consolidated interim financial report be considered together with any public announcements made by the Group during the six months ended 31 December 2011 in accordance with continuous disclosure obligations under the Corporations Act 2001.

The same accounting policies and methods of computation have been followed in this interim financial report as compared to the most recent annual financial report.

This consolidated interim financial report was approved by the Directors on the 24th of February 2012.

	2012	2011
	\$	\$
3. REVENUE		
Services rendered	<u>25,253,245</u>	<u>21,433,415</u>
4. OTHER INCOME		
Interest Income	9,601	20,082
Profit on Sale of Fixed Assets	128,962	-
Miscellaneous Income	<u>242,990</u>	<u>142,122</u>
	<u>381,553</u>	<u>162,204</u>

5. 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.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were those that applied to the consolidated financial report as at and for the year ended 30 June 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

6. SEGMENT INFORMATION

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

The diagnostic imaging segment operates from facilities within Victoria.

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

	31 December 2011	30 June 2011
	\$	\$

7. INTANGIBLES

Goodwill arising through business combinations:

Balance at the beginning of the period	20,880,864	20,161,294
Additions	62,966	719,570
Balance at the end of the period	<u>20,943,830</u>	<u>20,880,864</u>

The additions above relate to the acquisition of 2 minor clinics that were not considered material for disclosure purposes.

8. BORROWINGS

No loan facility agreements were entered into within the reporting period other than finance or operating lease agreements for the acquisition or use of plant & equipment or premises.

9. ISSUED CAPITAL AND RESERVES

Issued capital

303,726,809 (30 June 2011: 303,726,809) fully paid ordinary shares	<u>20,541,091</u>	<u>20,541,091</u>
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The following movements in issued capital occurred during the period:

	31 December 2011	31 December 2011	30 June 2011	30 June 2011
	Number of Shares	\$	Number of Shares	\$
Balance at the beginning and end of the period	<u>303,726,809</u>	<u>20,541,091</u>	<u>303,726,809</u>	<u>20,541,091</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

9. ISSUED CAPITAL AND RESERVES (cont'd)

Options

Options granted during the period

No options were granted during the reporting period.

Unissued shares under option

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

Class	Expiry Date	Exercise Price	Number of Options
Listed Options	30 April 2012	\$0.05	25,310,568

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

	31 December 2011	30 June 2011
Reserves	\$	\$
<i>Share-based payments reserve</i>		
Balance at the beginning of the period	-	6,109
Expiry of Unlisted Options as at 28 September 2010	-	(6,109)
Balance at the end of the period	-	-

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.

10. ACQUISITION OF SUBSIDIARIES

There have been no acquisitions of subsidiaries or other corporate entities made within the reporting period.

This is distinct from the acquisition of business operations from other entities.

11. DIVIDENDS PAID

There have been no dividends paid within the reporting period.

12. SHARE-BASED PAYMENTS

The Company operates an incentive scheme known as the Capitol Health Incentive Option Scheme ("Scheme"), which was approved by shareholders at a general meeting held on 30 December 2005. The Scheme provides for employees, Directors and others involved in the management of the Company to be offered options for no consideration. Each option is convertible to one ordinary share. Broad terms and conditions of the Scheme are disclosed in the consolidated financial report as at and for the period ended 30 June 2011.

No options were granted during the six months ended 31 December 2011 under the Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

13. CONTINGENT LIABILITIES

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

14. GOING CONCERN

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At 31 December 2011 the Group had a net working capital deficiency of \$4,339,814 (30 June 2011 \$4,941,046), however an operating profit of \$1,267,074 was achieved (31 December 2010 : profit \$731,549). The Group had positive operating cash inflows of \$1,699,615 (31 December 2010: inflow \$2,860,814) within the period of this report.

These factors may indicate a significant uncertainty as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe there are reasonable grounds to believe that the Group will be able to continue as a going concern after consideration of the following factors:

- * Cash reserves are in place at the date of this report;
- * Cash flow forecasts for the year ended 30 June 2012 indicate continued strong cash generation from operating activities;
- * A reduction in the net working capital deficiency;
- * No trade creditor or employee tax/levy owing greater than 30 days as at balance date;
- * Net tangible assets of the Group becoming positive;
- * The Directors remain committed to the long-term business plan that has the Group continuing to be profitable and cash flow positive;
- * Ongoing sales, marketing and IT efficiency initiatives are being undertaken, the results of which are having a positive impact on the group; and
- * The continued support of the bank

The Directors believe that the above indicators demonstrate that the Group will be able to pay their debts as and when they fall due and to continue as a going concern. Accordingly the Directors also believe that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

15. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group the results of those operations or the state of affairs of the Group in future financial years.

DIRECTORS DECLARATION

In the opinion of the directors of Capitol Health Limited:

(a) the financial statements and notes in the Directors Report, set out on pages 4 to 11, 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 31 December 2011 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; and

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

Signed in accordance with a resolution of the Directors:



John Conidi
Managing Director

Dated at Melbourne, Victoria this 24th day of February 2012

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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 ("the consolidated entity"), which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 financial position as at 31 December 2011 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.

RSM Bird Cameron Partners

Chartered Accountants

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

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 2011 and of its performance for the half-year then ended; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 14 in the financial report which indicates that the consolidated entity's current liabilities exceeded its current assets by \$4,339,814. This position, along with other matters as set forth in Note 14, indicates the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.



RSM BIRD CAMERON PARTNERS

Chartered Accountants



R B MIANO

Partner

Dated: 24 February 2012

Melbourne, Victoria