

Appendix 4D RESULTS FOR ANNOUNCEMENT TO THE MARKET

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

Reporting period
 Half-Year ended 31 December 2019

Comparative period
 Half-Year ended 31 December 2018

	Dec 2019 \$000	Dec 2018 \$000	% change Increase/ (decrease)
Results from Continuing Operations			
Revenue from ordinary activities	80,554	72,396	11.3%
Profit from ordinary activities after tax attributable to members	2,693	11,930	(77.4%)
Net profit attributable to members	2,693	11,930	(77.4%)
Underlying EBITDA ¹	17,693	11,850	49.3%
Underlying EBITDA excluding impact of AASB 16	13,660	11,850	15.3%

¹ Underlying EBITDA represents statutory net profit before the allocation of transaction costs, revaluation/impairment charge, depreciation & amortisation, net finance costs and income tax expense

Results from Continuing and Discontinuing Operations			
Revenue from ordinary activities	80,554	72,396	11.3%
Profit from ordinary activities after tax attributable to members	2,693	11,930	(77.4%)
Net profit attributable to members	2,693	11,930	(77.4%)

Dividends and distributions	Record Date	Payment Date	Amount per Security	Franked amount per Security
Interim dividend 2020	6 March 2020	3 April 2020	0.5 cents	100%
Final dividend 2019	25 September 2019	23 October 2019	0.5 cents	100%

No foreign conduit is attributable to the dividends

Dividend Reinvestment Plan

Capitol Health's dividend reinvestment plan is currently suspended and will not be offered to ordinary shareholders with the 2020 Interim Dividend.

Net Tangible Asset Backing	Dec 2019	Dec 2018
Net tangible Assets per ordinary security (cents)	0.82	1.09

Other information regarding the accounts

Additional ASX Appendix 4D disclosures can be found in the 2019 Annual Report. This Appendix 4D should be read in conjunction with Director's Report and the audited Financial Report for the year ended 30 June 2019.

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CAPITOLHEALTH
LIMITED

ABN 84 117 391 812

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2019

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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 interim report is to be read in conjunction with the annual report for the year ended 30 June 2019 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*.

Directors' Report

The Directors present their report together with the financial report of Capitol Health Limited ("Company") and its controlled entities (the "Group"), for the half-year ended 31 December 2019, and the auditor's report thereon.

Directors

The Directors of the Company at any time during the half-year and up to the date of this report are:

Mr Andrew Demetriou

Non-Executive Director and Chairman

Mr Justin Walter

Managing Director – appointed 1 July 2019

Mr Andrew Harrison

Non-Executive Director – appointed 1 July 2019; resigned as Managing Director 1 July 2019

Mr Richard Loveridge

Non-Executive Director

Ms Nicole Sheffield

Non-Executive Director

Financial Review

The Group recorded a profit for the half-year ended 31 December 2019 of \$2.7 million (2018 December: \$11.9 million) after recognising the impact of AASB 16.

- Operating revenue from continuing operations for services rendered increased 11% to \$80.6 million over the corresponding period. This increase was driven by revenue from newly acquired businesses, in addition to organic growth. During the period there were no changes in the level of Medicare rebates while Medicare diagnostic receipts continued to grow;
- Underlying Profit ("EBITDA") (being Operating Profit before Finance Costs, Income Tax, Depreciation and Amortisation net of Transaction Costs and Revaluation/Impairment Charges) increased by 49% to \$17.7 million compared to \$11.9 million for the half-year ended 31 December 2018.
- EBITDA Margin (EBITDA as a percentage of Revenue) was 22% compared to prior comparable period EBITDA margin from continuing operations of 16%.
- Excluding the impact of AASB 16 following its adoption on 1 July 2019, underlying EBITDA was \$13.7 million, an increase of \$1.8 million with an associated EBITDA margin of 17% compared to 16% for the half-year ended 31 December 2018. This reflects focus on cost control despite pressure from increased salary and wage costs.
- Transaction costs of \$0.5 million compared to \$2.1 million in prior comparable period were incurred in respect of both completed acquisitions and acquisitions that did not proceed during the financial period.
- Restructure costs of \$1.2 million reflect changes in the organisation over the last 6 months including the CEO transition.
- Net finance costs increased \$1.1 million (136%) to \$2.0 million over the corresponding prior period primarily due to the interest on right-of-use asset following the adoption of AASB 16.

Directors' Report

- Income tax effective tax rate for the period was 34% compared to 12% in prior period which was impacted by the revaluation of the Enlitic investment.

Capital Management Initiatives

During the period the Company conducted a share buy-back of 45,370 shares (\$9,578).

Events Occurring after the Reporting Period

Subsequent to the end of the Reporting Period:

- a) On 22 January 2020 the Group announced the acquisition of a 90% interest in Fowler Simmons Radiology in Adelaide, South Australia.

The consideration for the acquisition amounted to \$16.0 million to be funded from cash reserves, existing bank debt and \$1.58 million in issued shares in the Company and an earn-out payable in FY21 and a put/call option for the remaining 10% in 3 years. Settlement has not yet occurred at the date of this Report.

- b) The Company declared an interim dividend for the half-year ended 31 December 2019 of 0.5 cents per share (2018: 0.5 cents) with the maximum dividend payable of \$3.8 million (2018: \$3.9 million).

Other than the above, there have been no other matters or circumstances occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results or those operations, or the state of affairs of the Group in future financial years.

Auditor's Independence Declaration

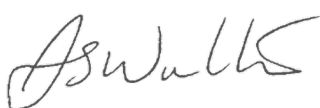
The auditor's independence declaration is set out on page 4 of the consolidated interim financial report and forms part of the Directors report for the half-year ended 31 December 2019.

Rounding of Amounts

The Company is a type of company referred to in ASIC Corporations (Rounding in Financial/Director' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases to the nearest dollar.

Signed in accordance with a resolution of the Directors made pursuant to Section 306(3) of the Corporations Act 2001.

On behalf of the Directors



Justin Walter
Managing Director
Melbourne, Victoria
25 February 2020



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25 February 2020

The Board of Directors
Capitol Health Limited
Level 3, 81 Lorimer Street
DOCKLANDS VIC 3008

Dear Board Members

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 lead audit partner for the review of the financial statements of Capitol Health Limited for the half-year ended 31 December 2019, 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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke du Toit
Partner
Chartered Accountants

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**Condensed Consolidated Interim Statement of Profit or Loss
and Other Comprehensive Income**
for the Half-Year Ended 31 December 2019

	Notes	31 Dec 2019 \$000	31 Dec 2018 \$000
Continuing Operations			
Revenue	4	80,554	72,396
Wages, contractor costs and salaries		(49,796)	(43,643)
Occupancy costs		(2,415)	(5,718)
Medical equipment and consumable supplies		(4,422)	(5,001)
Service costs		(6,228)	(6,184)
Transaction and restructure costs		(1,676)	(2,110)
Revaluation of financial assets		-	8,891
Operating Profit before Finance Costs, Income Tax, Depreciation and Amortisation		16,017	18,631
Depreciation and amortisation		(9,970)	(4,288)
Profit before Finance Costs and Income Tax		6,047	14,343
Net finance costs	5	(1,957)	(765)
Profit before Income Tax		4,090	13,578
Income tax expense		(1,397)	(1,648)
Profit for the Half-Year		2,693	11,930
Attributable to:			
Equity holders of the parent		2,693	11,930
Other Comprehensive Income			
Interest rate derivative		(137)	-
Other comprehensive income, net of tax		(137)	-
Total Comprehensive Income		2,556	11,930
Attributable to:			
Equity holders of the parent		2,556	11,930
Basic Earnings per share (cents)	12	0.35	1.50
Diluted Earnings per share (cents)	12	0.34	1.43

The Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Financial Position
as at 31 December 2019

Notes	31 Dec 2019 \$000	30 Jun 2019 \$000
Assets		
Cash and cash equivalents	5,481	7,330
Trade and other receivables	3,375	2,662
Other financial assets	252	256
Income tax receivable	-	1,273
Other assets	1,593	683
Total Current Assets	10,701	12,204
Non-Current Assets		
Plant and equipment	44,618	42,544
Right-of-use asset	52,126	-
Intangible assets	106,230	107,294
Other financial assets	23,550	20,408
Other receivables	621	1,166
Deferred tax asset	2,111	2,305
Total Non-Current Assets	229,256	173,717
Total Assets	239,957	185,921
Liabilities		
Trade and other payables	8,467	11,498
Interest-bearing loans and borrowings	2,008	2,005
Lease liability – Right-of-use asset	6,901	-
Employee benefit liabilities	11,289	11,115
Income tax liability	418	-
Total Current Liabilities	29,083	24,618
Non-Current Liabilities		
Interest-bearing loans and borrowings	48,001	43,656
Lease liability – Right-of-use asset	46,112	-
Provisions	1,232	1,170
Employee benefit liabilities	844	844
Total Non-Current Liabilities	96,189	47,864
Total Liabilities	125,272	72,482
Net Assets	114,685	115,633
Equity		
Issued capital	107,622	107,632
Reserves	1,585	1,374
Accumulated profits	5,478	6,627
Total Equity	114,685	115,633

The Condensed Consolidated Statement of Final Position is to be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Cash Flows
for the Half-Year Ended 31 December 2019

Notes	31 Dec 2019 \$000	31 Dec 2018 \$000
Operating Activities		
Receipts from customers	81,575	72,950
Payments to suppliers and employees	(69,318)	(62,453)
Net interest paid	(1,006)	(409)
Income tax refunded /(paid)	59	(2,378)
Net cash flows from operating activities	11,310	7,710
Investing Activities		
Purchase of plant and equipment	(5,330)	(7,338)
Payments for business acquisitions, investments including transaction costs	(8,008)	(26,642)
Net cash flows (used in) investing activities	(13,338)	(33,980)
Financing Activities		
Net proceeds on issue of share capital	-	1,420
Payments in respect of share buy-back and costs	(10)	(5,802)
Proceeds of secured loans	5,000	28,253
Payment of dividend	(3,842)	(2,691)
Payment of finance leases	(969)	(614)
Net cash flows from financing activities	179	20,566
Net decrease in cash and cash equivalents	(1,849)	(5,704)
Cash and cash equivalents at beginning of the year	7,330	11,542
Cash and cash equivalents at end of the year	5,481	5,838

The Condensed Consolidated Interim Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Changes in Equity
for the Half-Year Ended 31 December 2019

	Contributed equity	Reserves	Accumulated profit/(losses)	Total
Balance at				
1 July 2018	114,879	762	(13,778)	101,863
<i>Comprehensive Income</i>				
Profit for the year	-	-	11,930	11,930
Total Comprehensive Income	-	-	11,930	11,930
<i>Transactions with Equity Holders</i>				
<i>Capital reduction</i>				
Purchase of treasury shares	(5,784)	-	-	(5,784)
Share buy-back and costs	(18)	-	-	(18)
Dividend paid	-	-	(2,691)	(2,691)
Shares issued through DRP	516	-	(516)	-
Exercise of options	1,785	-	-	1,785
Valuation of issued options	119	(119)	-	-
Allocation of issued options	-	420	-	420
Total Transactions with Equity Holders	(3,382)	301	(3,207)	(6,288)
Balance at				
31 December 2018	111,479	1,063	(5,055)	107,505
Balance at				
1 July 2019	107,632	1,374	6,627	115,633
Profit for the year	-	-	2,693	2,693
Other Comprehensive Income for the year	-	(137)	-	(137)
Total Comprehensive Income	-	(137)	2,693	2,556
<i>Transactions with Equity Holders</i>				
Share buy-back and costs	(10)	-	-	(10)
Dividend paid	-	-	(3,842)	(3,842)
Allocation of share-based employee costs	-	348	-	348
Total Transactions with Equity Holders	(10)	348	(3,842)	(3,504)
Balance at				
31 December 2019	107,622	1,585	5,478	114,685

The Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements for the Half-Year Ended 31 December 2019

1. 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 condensed consolidated interim financial report of the Company for the half-year ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the “Group”).

The condensed consolidated annual financial report of the Group as at 30 June 2019 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

This consolidated interim financial report is a general purpose financial report prepared in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reports* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information required for a full 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 2019. It is also recommended that the consolidated interim report be considered together with any public announcements made by the Group in accordance with continuous disclosure obligations under the *Corporations Act 2001* and ASX listing rules.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report for the year ended 30 June 2019, except as disclosed below and in note 2.

The condensed consolidated interim financial report was approved by the Directors on 25 February 2020.

(i) **Going Concern**

The financial statements have been prepared on a going concern basis. For the half-year ended 31 December 2019, the consolidated entity made a profit of \$2.7 million (2018: \$11.9 million) and had net current liabilities of \$18.4 million (2018: \$17.2 million).

The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation in the financial statements:

- i) the Company has a \$144 million debt facility (\$100 million undrawn at 31 December 2019) from the National Bank of Australia. As a result, the consolidated entity will have sufficient working capital to enable it to meet its objectives and financial obligations.
- ii) the consolidated entity generated net operating cash inflow for the half-year ended 31 December 2019 of \$11.3 million (2018: \$7.7 million). Management expect that operating costs will be further reduced in the succeeding financial year as a result of integration of newly acquired businesses and ongoing restructuring of the group’s operations, which will further increase operating cash flows.

The directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements as at 31 December 2019. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Notes to the Condensed Consolidated Interim Financial Statements
for the Half-Year Ended 31 December 2019

2. Basis of Preparation (continued)

(ii) New accounting standards and interpretations applied for the current period

In the current half year, the Group has adopted the following new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the financial year beginning 1 July 2019:

- AASB 16 *Leases*

Refer Note 14 Right-of-use asset for the impact of adopting AASB 16 on the Group.

No other standards were amended or adopted in the half-year ended 31 December 2019.

- Interpretation 23 *Uncertainty Over Income Tax Treatments*

The Group has adopted Interpretation 23 *Uncertainty over Income Tax Treatments* and AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatment* from 1 July 2019. The adoption of Interpretation 23 does not have a material impact on the financial statements of the Group.

(iii) Standards and interpretations in issue not yet effective

At the date of authorization of the consolidated financial statements, other Standards and Interpretations in issue but not yet effective were listed below.

Standard and Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<i>AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB10 & AASB128], AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 1- and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	1 January 2022	30 June 2023
<i>AASB 2018-6 Amendments to Australian Accounting Standards – Definition of Business</i>	1 January 2020	30 June 2021
<i>AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material</i>	1 January 2020	30 June 2021

Notes to the Condensed Consolidated Interim Financial Statements
for the Half-Year Ended 31 December 2019

2. Basis of Preparation (continued)

Standard and Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<i>AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>	1 January 2020	30 June 2021
<i>AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</i>	1 January 2020	30 June 2021
<i>AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia</i>	1 January 2020	30 June 2021

The Directors of the Group do not anticipate that the adoption of above amendments will have a material impact in future periods on the financial statements of the Group.

3. Significant Accounting Estimates, Assumptions and Judgements

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In preparing the consolidated interim financial report, the significant judgements made by management in applying the Groups' accounting policies and the key source of estimation uncertainty were consistent with those made for the consolidated financial report as at and for the year ended 30 June 2019.

Notes to the Condensed Consolidated Interim Financial Statements
for the Half-Year Ended 31 December 2019

4. Revenue

The Group solely operates within Australia and accordingly is only in one geographic market and only has one product and service category:

	31 Dec 2019 2019 \$000	31 Dec 2018 2018 \$000
Major service category		
Diagnostic imaging services	80,419	72,342
Other operating revenue	135	54
Total Revenue	80,554	72,396
Timing of revenue recognition		
Services transferred at a point in time	80,554	72,396

5. Net Finance Costs

	31 Dec 2019 2019 \$000	31 Dec 2018 2018 \$000
Interest income	13	63
Interest on borrowings	(875)	(678)
Interest rate swap	(83)	(23)
Finance lease interest	(163)	(110)
Other interest	(9)	(17)
Interest attributable to Right-of-Use asset	(840)	-
	(1,957)	(765)

6. Other Financial Assets

	31 Dec 2019 \$000	30 June 2019 \$000
<i>Current</i>		
Rental bonds – held to maturity	252	256
<i>Non-current</i>		
Investment in unlisted entity	23,550	20,408
Movement		
Fair value – opening balance	20,408	-
Investment during the year	3,142	493
Revaluation	-	19,915
Fair value – closing balance	23,550	20,408

Notes to the Condensed Consolidated Interim Financial Statements
for the Half-Year Ended 31 December 2019

7. Intangible Assets

	Goodwill \$000	Brands and Trademarks \$000	Referrer Relationships \$000	TOTAL \$000
At 1 July 2019	102,604	762	3,928	107,294
Acquisition of entities and businesses	(2,010)	-	1,319	(691)
Adjustment re prior year acquisitions ¹⁾	19	-	(27)	(8)
Amortisation charge	-	-	(365)	(365)
At 31 December 2019	100,613	762	4,855	106,230
Cost value	100,613	762	5,837	107,212
Accumulated amortisation & impairment	-	-	(982)	(982)
Total at 31 December 2019	100,613	762	4,855	106,230

1) Adjustment on finalisation of acquisition accounting re WA acquisition referrer relationship valuation

	Goodwill \$000	Brands and Trademarks \$000	Referrer Relationships \$000	TOTAL \$000
At 1 July 2018	74,560	739	1,829	77,128
Acquisition of entities and businesses	27,757	-	2,496	30,253
Adjustment re prior year acquisitions ¹⁾	287	23	120	430
Amortisation charge	-	-	(517)	(517)
At 30 June 2019	102,604	762	3,928	107,294
Cost value	102,604	762	4,545	107,911
Accumulated amortisation & impairment	-	-	(617)	(617)
Total at 30 June 2019	102,604	762	3,928	107,294

The Brand and Trademarks are considered to have an indefinite useful life and accordingly are not amortised but considered for impairment testing in conjunction with goodwill.

Relationships with referrers, are capable of being separated or divided and are considered a valuable asset within the radiology industry. The Referrer Relationships intangible asset reflects the revenue stream from referrers on forwarding patients to a clinic and reflect the relationships that the clinics and the Company's doctors and medical technicians have established with the referrers and the patients over time. This intangible asset is constantly evolving with new patients and referring medical professionals, and as a result it is amortised over 8 years.

The Directors considered, that for accounting purposes, the Group's operations represent a single Cash Generating Unit (CGU) (operating segment) for testing of any potential impairment applicable to the Goodwill valuation carried in the accounts of the Group. At 31 December 2019, the Directors have determined that there is no impairment in the Goodwill carrying values.

Notes to the Condensed Consolidated Interim Financial Statements
for the Half-Year Ended 31 December 2019

8. Business combinations- Summary of acquisitions

The Group finalised the acquisition of Uniradiology during the half-year ended 31 December 2019. There were no new acquisitions during the period.

Date of acquisition	Business Name	State	Purchase consideration \$000	Net Assets Acquired \$000	Goodwill \$000	Note Reference
22 March 2019	Uniradiology	VIC	8,004	2,010	5,994	i)

- i) The Group acquired the assets and liabilities of Uniradiology. The net assets include the plant and equipment and other intangible asset comprising the referrer relationship independently valued at date of acquisition. At 30 June 2019 the group provisionally accounted for goodwill of \$8 million.

Since 31 December 2019 the company announced the acquisition of Fowler Simmonds Radiology based in Adelaide, South Australia. For more details refer to Note 17 - Events Occurring after the Reporting Period.

9. Issued Capital

	31 Dec 2019 \$000	30 June 2019 \$000
Issued Capital	107,622	107,632

	31 Dec 2019		30 June 2019	
	Number of shares	\$000	Number of shares	\$000
Balance at 1 July	768,444,825	107,632	795,964,199	114,879
Exercise of options	-	-	10,000,000	1,785
Dividend reinvestment plan	-	-	1,837,442	516
Share buy-back	(45,370)	(10)	(39,356,816)	(9,667)
Option valuation	-	-	-	119
Balance at end of period	768,399,455	107,622	768,444,825	107,632

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 Condensed Consolidated Interim Financial Statements
for the Half-Year Ended 31 December 2019

9. Issued Capital (continued)

Options and Performance Rights

The Company operates an incentive plan referred to as the Capitol Health Limited Employee Incentive Option (the Plan). The table below summarises the number of options and performance rights that were outstanding, their weighted average exercise price as well as the movements during the year:

	31 Dec 2019		30 June 2019	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
Balance at 1 July	32,839,827	28.96	42,095,062	26.78
Granted	2,385,280	-	2,744,765	23.72
Exercised	-		(10,000,000)	17.85
Forfeited	(1,744,765)	-	(2,000,000)	30.06
Balance at end of period	33,480,342	28.96	32,839,827	28.96
Represented by:				
Options	29,400,000	28.96	29,400,000	28.96
Performance rights	4,080,342	-	3,439,827	-
Balance at end of period	33,480,342	28.96	32,839,827	28.96

10. Reserves

	Currency translation \$000	Interest Rate Derivative \$000	Share Option \$000	Total \$000
Balance at 1 July 2018	-	-	762	762
Exchange differences on translation of other financial asset	(9)	-	-	(9)
Allocation of share-based employee costs	-		740	740
Amount transferred to Issued Capital on conversion of options	-		(119)	(119)
Movement for the financial year	(9)	-	621	612
Balance at 30 June 2019	(9)	-	1,383	1,374
Allocation of share-based employee costs			348	348
Interest rate derivative valuation	-	(137)	-	(137)
Movement for the financial year	-	(137)	348	211
Balance at 31 December 2019	(9)	(137)	1,731	1,585

Notes to the Condensed Consolidated Interim Financial Statements
for the Half-Year Ended 31 December 2019

11. Dividends

	31 December 2019		30 June 2019	
	Cents per share	\$000	Cents per share	\$000
Cash dividend on ordinary shares declared and paid				
Final dividend for 2019				
Cash	0.5	3,842		
Interim dividend for 2019 - Cash			0.5	3,923
		3,842		3,923
Proposed dividend on ordinary share				
Final cash dividend	0.5	3,842		

Since the end of the half-year the Directors have declared a final dividend of 0.5 cents per share which is not recognised as a liability at 31 December 2019.

Final dividend for the year ended 30 June 2019 was declared and paid during the half-year to 31 December 2019.

The Dividend Reinvestment Plan (DRP) is currently suspended.

12. Earnings per Share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for outstanding options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	31 Dec 2019 \$000	31 Dec 2018 \$000
Profit/(loss) attributable to ordinary equity holders of the parent:		
Continuing operations	2,693	11,930
	2,693	11,930
<i>Weighted average ordinary shares used as the denominator in calculating:</i>	Number	Number
Basic earnings	768,415,482	794,331,317
Effect of dilution from share options and performance rights	33,022,306	37,103,406
Diluted earnings	800,437,788	831,434,723
<i>Earnings per share – Continuing operations:</i>	Cents	Cents
Basic	0.35	1.50
Diluted	0.34	1.43

There have been no other transactions involving ordinary share or potential ordinary shares between the reporting date and date of the authorisation of these financial statements.

Notes to the Condensed Consolidated Interim Financial Statements
for the Half-Year Ended 31 December 2019

13. Interest Bearing Loans and Borrowings

	31 Dec 2019 \$000	30 June 2019 \$000
Current		
Finance lease liability	2,008	2,005
	2,008	2,005
Non-current		
Bank borrowings	43,750	38,750
Finance lease liability	4,251	4,906
	48,001	43,656

Assets pledged as security

Finance leases are effectively secured as the rights to the leased assets, recognised in the Consolidated Financial Position.

Bank facilities

The group successfully secured loan facility with National Australia Bank in May 2018 and drew on these facilities during the half year. The bank facilities totaling \$144 million made up of the following:

- Cash advance facility limit of up to \$60 million for a period of 3 years
- Cash advance facility limit of up to \$40 million for a period of 5 years
- Overdraft and bank guarantee facilities with limit of \$9 million
- Equipment leasing facilities \$5 million and
- Accordian facility up to \$30 million (uncommitted)

14. Right-of-use Asset and Liability

The group adopted AASB 16 Leases with effect from 1 July 2019 and elected to use the modified retrospective approach. Under the modified retrospective approach the right of use of an asset may be deemed to be equivalent to the liability at transition. AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. The standard removes the distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

i) Reconciliation from AASB 117 to AASB 16

	Total
Operating lease commitments 30 June 2019 under AASB 117	\$000
Property	25,485
Equipment	4,508
Operating lease commitments at 30 June 2019	29,993
<i>Less:</i> Short-term leases not recognised	(13)
<i>Add:</i> new leases entered into during the period	1,279
<i>Add:</i> Payments in optional renewal period not included in lease commitments at 30 June 2019	23,668
Right-of-use Lease Asset and Liability at 1 July 2019	54,927

Notes to the Condensed Consolidated Interim Financial Statements
for the Half-Year Ended 31 December 2019

14. Right-of-use Asset and Liability (continued)

ii) Reconciliation of movement of Right-of-use asset for half-year ended

	Property Leases	Equipment Leases	Total
	\$000	\$000	\$000
At 1 July 2019	52,939	1,988	54,927
New leases entered into during the period	1,279	-	1,279
Amortisation charge	(3,798)	(282)	(4,080)
At 31 December 2019	50,420	1,706	52,126
Cost value	54,218	1,988	56,206
Accumulated amortisation	(3,798)	(282)	(4,080)
Total at 31 December 2019	50,420	1,706	52,126

iii) Reconciliation of movement of Right-of-use liability for half-year ended

	Property Leases	Equipment Leases	Total
	\$000	\$000	\$000
At 1 July 2019	(52,939)	(1,988)	(54,927)
Interest expense	(811)	(29)	(840)
New leases entered into during the period	(1,279)	-	(1,279)
Lease payments	3,749	284	4,033
At 31 December 2019	(51,280)	(1,733)	(53,013)
Current	(6,460)	(441)	(6,901)
Non-current	(44,820)	(1,292)	(46,112)
Total at 31 December 2019	(51,280)	(1,733)	(53,013)

15. Contingencies

a) Rental Guarantees

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

16. Fair Value Measurement of Financial Instruments

The carrying amount of financial assets and financial liabilities, which are not measured at fair value in the statement of financial position, approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Statements
for the Half-Year Ended 31 December 2019

17. Events Occurring after the Reporting Period

- a) On 22 January 2020 the Group announced the acquisition of a 90% interest in Fowler Simmons Radiology in Adelaide, South Australia.

The consideration for the acquisition amounted to \$16.0 million to be funded from cash reserves, existing bank debt and \$1.58 million in issued shares in the Company and an earn-out payable in FY21 and a put/call option for the remaining 10% in 3 years. Settlement has not yet occurred at the date of this Report.

- b) The Company declared an interim dividend for the half-year ending 31 December 2019 of 0.5 cents per share (2018: 0.5 cents) with the maximum dividend payable of \$3.8 million (2018: \$3.9 million).

Other than the above, there have been no other matters or circumstances occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results or those operations, or the state of affairs of the Group in future financial years.

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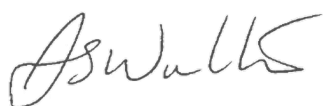
Directors' Declaration

In the opinion of the Directors of Capitol Health Limited:

- (a) the financial statements and notes set out on pages 5 to 19, are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; 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 made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the Directors



Justin Walter
Managing Director
Melbourne, Victoria
25 February 2020



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Independent Auditor's Review Report to the members of Capitol Health Limited

We have reviewed the accompanying half-year financial report of Capitol Health Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, 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 end of the half-year or from time to time during the half-year.

Director's Responsibility for the Half-Year Financial Report

The directors of the company 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 internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 half-year 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 2019 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.

Auditor's Independence Declaration

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*, 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 review report.

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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 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke du Toit
Partner
Chartered Accountants
Melbourne, 25 February 2020

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