



ABN 84 117 391 812

In accordance with Listing Rule 4.2A, the Interim Financial Report for the six months ended 31 December 2009 and ASX Appendix 4D – Half Year Report of 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 2009.

**Authorised by:**

A handwritten signature in black ink, appearing to read 'John Conidi', is written over a faint, light-colored signature line.

**John Conidi**  
***Managing Director***

11 February 2010

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**CAPITOL HEALTH LIMITED - ABN 84 117 391 812**

**Appendix 4D - Half Year Report - 6 Month Period Ended 31 December 2009**

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.

Reporting Period - 6 months ending	31 December 2009
Previous Corresponding Period - 6 months ending	31 December 2008

**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 for the Reporting Period	\$'000	16,778
Revenue for the Previous Corresponding Period	\$'000	13,329
Amount increase/(decrease)	\$'000	3,449
Percentage increase/(decrease)	%	25.9%

- 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) for the Reporting Period	\$'000	29
Profit (loss) for the Previous Corresponding Period	\$'000	(870)
Amount increase/(decrease)	\$'000	899
Percentage increase/(decrease)	%	103.3%

- 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.

Profit (loss) for the Reporting Period	\$'000	29
Profit (loss) for the Previous Corresponding Period	\$'000	(870)
Amount increase/(decrease)	\$'000	899
Percentage increase/(decrease)	%	103.3%

- 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.

**No dividends are proposed**

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

**Not applicable**

- 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 2009**

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

As at 31 December 2009 - per security + (-)	cents	(0.005)
As at 31 December 2008 - per security + (-)	cents	(0.844)

**Appendix 4D - Half Year Report - 6 Month Period Ended 31 December 2009 (cont'd)**

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

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

**Nil**

- 4.1 Name of the entity.

**Not applicable**

- 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.

**Not applicable**

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.

**Not applicable**

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 from 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 Accounting Standards).

**Not applicable**

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

**None reported**

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ABN 84 117 391 812

# **INTERIM REPORT**

**31 DECEMBER 2009**



## **CAPITOL HEALTH LIMITED**

**ABN 84 117 391 812**

### **INTERIM REPORT - 31 DECEMBER 2009**

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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 2009 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 consolidated financial report for the half-year ended 31 December 2009 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 consolidated entity for the half-year was \$29,188 (2008: loss \$869,509) after income tax expense of \$Nil (2008: \$77,100).

### 3. Review of Activities

#### *First half financial year 2009/10*

The financial performance of the consolidated entity has exceeded the expectations of the directors for its position at 31 December 2009. This expected position was consistent with previous market guidance issued to the ASX as to the overall performance for the consolidated entity for the financial year 2009/10. Revenue has been generally above expectations for all months of the half-year, even after allowance is made for the Medicare Rebate increase (effective from 1 November 2009).

The directors have previously stated that the profit performance of the consolidated entity is heavily skewed towards the second half of FY 2009/10 as the benefits of the multiple programs and the increased Medicare Rebates combine.

The (Share) Rights Issue in November of 2009 has contributed to an improvement in the Net Working Capital position of the consolidated entity (see Note 14 below) and current cash holdings are above expectations for the half-year position after taking receipt and applications of the net cash generated by the Rights Issue into account. Substantial self-funded capital expenditure has continued to take place.

During the first half of 2009/10 the consolidated entity opened a new satellite clinic at Wantirna (south-east Melbourne metropolitan area) and installed a new state-of-the-art wide-bore MRI at its Footscray location.

During the first half of 2009/10 the consolidated entity entered into arrangements for and commenced the provision of tele-radiology reporting service for 3 externally operated imaging locations utilising the new technology platform.

The Technology Transformation Program (TTP) roll-out is progressing. As at the date of this report the "backbone" of the program has been completed, with all sites connected via a fibre-optic link to a centralised data centre plus all sites having the new Practice Management application (RIS) and digital imaging application (PACS) installed.

The results for the first half of 2009/10 do not include any major benefits to the consolidated entity that will roll-out from the TTP.

## **DIRECTORS REPORT**

### **3. Review of Activities - continued**

The performance of the initial diagnostic imaging acquisitions made in 2007/8 for the first half year 2009/10 indicates to the directors that there is no need for any consideration of impairment in the carrying value of Goodwill for these acquisitions within the Interim Statement of Financial Position, indeed the performance indicates the reverse - which regrettably is not allowed under the relevant accounting standard.

#### ***Second half financial year 2009/10***

The installation of the TTP "backbone" of fibre-optic link plus common RIS and PACS applications enables the company to move to the next phase. The installation of a network VOIP solution will commence in late February 2010 and new, common, accounting and payroll/HR applications will be utilised after the March quarter end. A major existing clinic site will be re-branded under the "Capital Radiology" banner in the first quarter of 2010 to develop the transition model to the new brand for acquired sites still operating under their original operating names.

The consolidated entity has spent considerable time, effort and expense ensuring all work practices, employment contracts, employment conditions and general arrangements conform to the new industrial framework and uniform Awards being put into place by the current federal government.

The directors anticipate the organisational savings and efficiencies from the TTP will commence to benefit the consolidated entity within the second half of 2009/10.

The directors have taken a conservative approach as to assessing the consolidated entity's performance for the full financial year and it is anticipated that any review of market guidance will only occur after the finalisation of the March quarter 2010 results.

The consolidated entity will continue to aggressively seek and develop avenues for growth.

### **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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity 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 5 and forms part of the directors' report for the half-year ended 31 December 2009.

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:



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**John Conidi**  
**Managing Director**  
**MELBOURNE**  
**11 February 2010**

# 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 and controlled entities for the half year ended 31 December 2009, 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.

*RSM Bird Cameron Partners*

**RSM BIRD CAMERON PARTNERS**  
Chartered Accountants

*R B Miano*

**R B MIANO**  
Partner

Date: 11 February 2010  
Melbourne

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**CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**For the half-year ended 31 December 2009**

		<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>
	<b>Note</b>		
<b>Continuing Operations</b>			
Revenue	3, 6	16,777,599	13,328,715
Other Income	4	17,359	1,251,278
Employee benefits expense		(10,160,724)	(8,494,499)
Depreciation expense		(677,503)	(583,328)
Impairment of goodwill	7	-	(1,894,632)
Consumables expense		(1,077,791)	(743,400)
Marketing expense		(159,313)	(64,962)
Occupancy expense		(1,235,549)	(840,803)
Interest expense		(217,010)	(242,733)
Bad Debt expense		(72,546)	(55,596)
Equipment-related expense		(1,670,364)	(1,206,994)
Other expenses		(1,494,970)	(1,550,197)
<b>Profit/(loss) before income tax</b>		<b>29,188</b>	<b>(1,097,151)</b>
Income Tax on continuing operations		-	(77,100)
<b>Profit/(loss) from continuing operations</b>	<b>6</b>	<b>29,188</b>	<b>(1,174,251)</b>
<b>Discontinued operations</b>			
Profit before income tax	6	-	304,742
Income tax on discontinued operations		-	-
<b>Profit/(loss) for the period</b>	<b>6</b>	<b>29,188</b>	<b>(869,509)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>29,188</b>	<b>(869,509)</b>
<b>Profit/(loss) for the period attributable to;</b>			
<b>Owners of the parent</b>		<b>29,188</b>	<b>(869,509)</b>
<b>Total comprehensive income for the period attributable to;</b>			
<b>Owners of the parent</b>		<b>29,188</b>	<b>(869,509)</b>
<b>Earnings/(loss) per share (cents)</b>			
<b>Basic</b>			
Continuing operations		0.01	(0.42)
Discontinued operations		-	0.11
<b>Total basic earnings/(loss)</b>		<b>0.01</b>	<b>(0.31)</b>
<b>Diluted</b>			
Continuing operations		0.01	(0.42)
Discontinued operations		-	0.11
<b>Total diluted earnings/(loss)</b>		<b>0.01</b>	<b>(0.31)</b>

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

**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2009**

		31 December 2009 \$	30 June 2009 \$
	Note		
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		711,101	197,304
Trade and other receivables		879,455	969,782
Other current assets		330,116	211,469
<b>Total Current Assets</b>		<b>1,920,672</b>	<b>1,378,555</b>
<b>NON CURRENT ASSETS</b>			
Deferred tax assets		717,281	717,281
Property plant & equipment		6,004,130	5,041,813
Intangibles	7	20,161,294	20,161,294
<b>Total Non Current Assets</b>		<b>26,882,705</b>	<b>25,920,388</b>
<b>TOTAL ASSETS</b>		<b>28,803,377</b>	<b>27,298,943</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,145,407	2,229,395
Employee benefits		1,188,363	1,007,955
Income tax liability		179,045	269,045
Loans and borrowings		1,689,798	1,451,365
<b>Total Current Liabilities</b>		<b>5,202,613</b>	<b>4,957,760</b>
<b>NON CURRENT LIABILITIES</b>			
Employee benefits		290,661	259,777
Loans and borrowings		4,730,292	4,417,548
<b>Total Non Current Liabilities</b>		<b>5,020,953</b>	<b>4,677,325</b>
<b>TOTAL LIABILITIES</b>		<b>10,223,566</b>	<b>9,635,085</b>
<b>NET ASSETS</b>		<b>18,579,811</b>	<b>17,663,858</b>
<b>EQUITY</b>			
Issued capital	9	20,541,091	19,654,326
Reserves		170,609	170,609
Retained earnings (losses)		(2,131,889)	(2,161,077)
<b>Equity attributable to owners of the parent</b>		<b>18,579,811</b>	<b>17,663,858</b>
<b>TOTAL EQUITY</b>		<b>18,579,811</b>	<b>17,663,858</b>

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

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**For the half-year ended 31 December 2009**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	16,867,926	12,838,628
Cash payments in the course of operations	(15,730,915)	(12,677,719)
Interest received	6,797	25,046
Interest paid	<u>(217,010)</u>	<u>(144,128)</u>
<b>Net cash provided by operating activities</b>	<b><u>926,798</u></b>	<b><u>41,827</u></b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	38,500	-
Payments for property, plant and equipment	(1,803,802)	(658,021)
Proceeds from sale of subsidiaries	-	227,000
Payments for acquisition of subsidiaries	<u>(4,234)</u>	<u>(446,031)</u>
<b>Net cash used in investing activities</b>	<b><u>(1,769,536)</u></b>	<b><u>(877,052)</u></b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	1,012,423	-
Payment of share issue costs	(132,948)	-
Proceeds from sale & leasebacks	1,061,094	355,477
Payment of leasing arrangements	(682,108)	(1,151,422)
Proceeds from secured loans from external entities	250,000	689,603
Repayment of secured loans to external entities	<u>(151,926)</u>	<u>(62,500)</u>
<b>Net cash provided by/(used in) financing activities</b>	<b><u>1,356,535</u></b>	<b><u>(168,842)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>513,797</b>	<b>(1,004,067)</b>
<b>Cash and cash equivalents at 1 July</b>	<b>197,304</b>	<b>1,925,113</b>
<b>Cash and cash equivalents at period end</b>	<b><u>711,101</u></b>	<b><u>921,046</u></b>

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

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**For the half-year ended 31 December 2009**

	Issued Capital	Reserves	Retained Earnings/ (Losses)	Total Equity
	\$	\$	\$	\$
<b>Balance as at 30 June 2009</b>	19,654,326	170,609	(2,161,077)	17,663,858
<b>Total recognised gains and losses for the period</b>				
Profit (loss) for the period	-	-	29,188	29,188
<b>Transactions with equity holders in their capacity as equity holders</b>				
Shares issued	1,012,423	-	-	1,012,423
Share issue costs (net of GST)	(125,658)	-	-	(125,658)
<b>Balance as at 31 December 2009</b>	<b>20,541,091</b>	<b>170,609</b>	<b>(2,131,889)</b>	<b>18,579,811</b>

	Issued Capital	Reserves	Retained Earnings/ (Losses)	Total Equity
	\$	\$	\$	\$
<b>Balance as at 30 June 2008</b>	19,654,326	170,609	(1,142,859)	18,682,076
<b>Total recognised gains and losses for the period</b>				
Profit (loss) for the period	-	-	(869,509)	(869,509)
<b>Balance as at 31 December 2008</b>	<b>19,654,326</b>	<b>170,609</b>	<b>(2,012,368)</b>	<b>17,812,567</b>

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT**  
**For the half-year ended 31 December 2009**

**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 2009 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 2009 is available upon request from the Company's registered office or may be viewed on the Company's website, [www.capitolhealth.com.au](http://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 consolidated entity as at and for the year ended 30 June 2009. 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 2009 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 Board of Directors on the 11th of February 2010.

	<b>31 December 2009</b>	<b>31 December 2008</b>
	\$	\$
<b>3. REVENUE</b>		
Services	<u>16,777,599</u>	<u>13,328,715</u>
<b>4. OTHER INCOME</b>		
Forgiveness of vendor liabilities	-	916,739
Government grants	-	296,500
Interest Income	6,797	25,046
Miscellaneous	10,562	12,993
	<u>17,359</u>	<u>1,251,278</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 consolidated entity'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 2009.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT (cont'd)**  
**For the half-year ended 31 December 2009**

**6. SEGMENT INFORMATION**

**Business segments**

The consolidated entity comprises the following main business segments:

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

Primary reporting: Business segments	Discontinued Operations		Continuing Operations		Consolidated Operations Total
	Dental	Diagnostic Imaging	Un - allocated	Total Continuing	
<b>31 December 2009</b>					
Segment revenue	-	16,777,599	-	16,777,599	16,777,599
Segment result	-	398,051	(368,863)	29,188	29,188
<b>31 December 2008</b>					
Segment revenue	-	13,328,715	-	13,328,715	13,328,715
Segment result	304,742	(601,364)	(572,887)	(1,174,251)	(869,509)

The revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period.

Segment profit represents the profit earned by each segment without allocation of central administration and overhead expenses.

As at 31 December 2009 \$	As at 30 June 2009 \$
------------------------------------	--------------------------------

**7. INTANGIBLES**

Goodwill arising through business combinations:		
Acquisition of Radiology Entities – at carrying value	13,760,004	15,654,636
Less: Impairment loss	-	(1,894,632)
	<u>13,760,004</u>	<u>13,760,004</u>
Acquisition of South East Medical Imaging – at carrying value	2,784,180	2,784,180
Acquisition of Bell Imaging – at carrying value	3,617,110	3,617,110
	<u>20,161,294</u>	<u>20,161,294</u>

**8. BORROWINGS**

Capital Radiology entered into a loan facility agreement for the purposes of assisting in general working capital levels through the conversion of a loan guarantee that was in place as part of the Bell acquisition. The value of this facility is \$250,000 and the term is 10 years, converted to principal and interest reducing from September 2009, with no redraw facility. The interest rates payable and other charges are comparable to other existing loan facilities.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT (cont'd)**  
**For the half-year ended 31 December 2009**
**9. ISSUED CAPITAL AND RESERVES**

	As at 31 December 2009 \$	As at 30 June 2009 \$
<b>Issued capital</b>		
303,726,809 (2009: 278,416,241) fully paid ordinary shares	<u>20,541,091</u>	<u>19,654,326</u>

The following movements in issued capital occurred during the reporting period.

	As at 31 December 2009 Number of Shares	As at 30 June 2009 Number of Shares	As at 31 December 2009 \$	As at 30 June 2009 \$
Balance at the beginning of the reporting period	278,416,241	278,416,241	19,654,326	19,654,326
Rights Issue of shares at \$0.04 each	25,310,568	-	1,012,423	-
Share issue costs (Net of GST)	-	-	(125,658)	-
Balance at the end of the reporting period	<u>303,726,809</u>	<u>278,416,241</u>	<u>20,541,091</u>	<u>19,654,326</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.

**Options**

*Options granted during the year*

25,310,568 options were granted during the year as being attached to the Rights Issue completed 29 November 2009.

*Unissued shares under option*

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

Class	Expiry Date	Exercise Price	Number of Options
Unlisted Options	31 March 2010	\$0.20	20,000,000
Incentive Options	26 September 2010	\$0.25	250,000
Listed Options attached to Rights Issue 29/11/09	30 April 2012	\$0.05	25,310,568

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

	As at 31 December 2009 \$	As at 30 June 2009 \$
<i>Share-based payments reserve</i>		
Balance at the beginning and the end of the reporting period	6,109	6,109
<i>Option premium reserve</i>		
Balance at the beginning and the end of the reporting period	<u>164,500</u>	<u>164,500</u>
Reserves at the end of the reporting period	<u>170,609</u>	<u>170,609</u>

**Share-based payments reserve**

This reserve is used to record the value of equity-settled share-based payments provided to employees and directors as part of their remuneration. Refer to Note 12 for further details of share-based payments.

**Option premium reserve**

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT (cont'd)**  
**For the half-year ended 31 December 2009****10. ACQUISITION OF SUBSIDIARIES**

There have been no acquisitions made within the reporting period.

**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 30 June 2009.

No options were granted during the six months ended 31 December 2009 under the Scheme.

**13. CONTINGENT LIABILITIES**

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

**14. GOING CONCERN**

As disclosed in the financial report the consolidated entity had a net working capital deficiency of \$3,281,941 as at 31 December 2009. This indicates the existence of a material uncertainty about the ability of the consolidated entity to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business and at amounts stated in the financial report.

The directors believe after consideration of the above matter and a detailed assessment of the consolidated entity's cash flow forecasts for the next 12 months, that the consolidated entity will successfully achieve its operating objectives during this period and, therefore, that the adoption of the going concern basis of accounting by the consolidated entity is appropriate. These forecasts take into account the following significant matters:

- the benefits of the increased Medicare Rebates, which came into effect in November 2009;
- the successful Rights Issue in November 2009 which has improved the group's cash position;
- the expected benefits of the Technology Transformation Program roll-out program;
- the opening of a new clinic in Wantirna and the installation of a state of the art wide-bore MRI at Footscray; and
- the continued support of the consolidated entity's financiers and the ability to continue to meet banking requirements.

Accordingly, the directors believe the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report. The financial report does not include adjustments relating to the recoverability and classification of asset amounts or to the amounts and classification of liabilities that might be necessary if the consolidated entity 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 Company the results of those operations or the state of affairs of the Company 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 3 to 13, are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 31 December 2009 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:



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John Conidi  
Managing Director

Dated at Melbourne, Victoria this 11th day of February 2010.

# RSM Bird Cameron Partners

Chartered Accountants

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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 statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, accompanying notes to the financial statements and the directors' declaration. The consolidated entity comprises both Capitol Health Limited as the parent entity and the entities it controlled during the half-year.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the consolidated entity 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 establishing 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 2009 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.

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*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*, provided to the directors of Capitol Health Limited on [date], would be in the same terms if provided to the directors as at the date of this auditor's review 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 2009 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*.

*Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 14 in the financial report which indicates that the company's current liabilities exceeded its current assets by \$3,281,941. 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, 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.

  
**RSM BIRD CAMERON PARTNERS**  
Chartered Accountants

  
**R B MIANO**  
Partner

Date: 11 February 2010  
Melbourne

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