



In compliance with Listing Rule 4.2A, the ASX Appendix 4D – Half Year Report and the Consolidated Interim Financial Report for the six months ended 31 December 2016 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 2016.

Signed in accordance
with a resolution of the Directors:

Andrew Harrison
Managing Director
Dated at Melbourne, Victoria this 28th day of February 2017.

ASX Appendix 4D

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 to 31 December 2016
Previous Corresponding Reporting Period	6 Months to 31 December 2015

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 the ordinary activities.

\$ Revenue from Ordinary Activities - current period	\$'000	80,013
\$ Revenue from Ordinary Activities - previous period	\$'000	77,373
\$ change in Revenue from Ordinary Activities	\$'000	2,640
% change from previous corresponding reporting period	% UP	3.4%

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

\$ Profit (loss) from ordinary activities after tax - current period	\$'000	2,204
\$ Profit (loss) from ordinary activities after tax - previous period	\$'000	2,218
\$ change in profit (loss) from ordinary activities after tax	\$'000	(14)
% change from previous corresponding reporting period	% DOWN	-0.6%

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	2,204
\$ Net profit (loss) attributable to members - previous period	\$'000	2,218
\$ change in net profit (loss) attributable to members	\$'000	(14)
% change from previous corresponding reporting period	% DOWN	-0.6%

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

No Final Dividend was declared for the 6 months ending 30 June 2016. No Interim Dividend has been declared for the 6 months ending 31 December 2016.

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

Not Applicable.

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

Please refer to the Consolidated Interim Financial Report lodged with this Appendix 4D.

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

Net tangible Assets per Security	Cents	(7.990)
Previous corresponding period	Cents	(8.754)

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

4.1 Name of the entity.

Please refer to the Interim Financial Report lodged with this Appendix 4D.

4.2 The date of the gain or loss of control

Please refer to the Interim Financial Report lodged with this Appendix 4D.

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.

Please refer to the Interim Financial Report lodged with this Appendix 4D.

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 source dividend or distribution.

No Final Dividend was declared for the 6 months ending 30 June 2016. No Interim Dividend has been declared for the 6 months ending 31 December 2016.

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.

7. Details of associates and joint venture entities including the following.

None

7.1 Name of the associate or joint venture entity.

Not applicable

ASX Appendix 4D

7.2 Details of the reporting entity's percentage holding in each of these entities.

Not applicable

7.3 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 contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.

The accounts are not subject to any modified opinion, emphasis of matter or other matter paragraph.





Consolidated Interim Financial Report

FOR THE HALF YEAR ENDED

31
DECEMBER 2016

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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 2016 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*.



Managing
Directors' Review



Managing Directors' Review

Dear Fellow Shareholders,

The first half of the 2017 financial year has been tumultuous for the Company. We have experienced regulatory headwinds, substantive changes in senior management, and the debt-funded acquisitions of the previous financial year have failed to deliver the anticipated earnings growth resulting in an overly leveraged balance sheet - these among other matters has led to shareholders experiencing a material drop in the share price. For the Board this is not acceptable and we are taking active steps to rectify the situation.

Since I was permanently appointed as Managing Director of the Company in November, I have focused on taking stock of our assets, our people, and the industry, and developing a course of action to deliver shareholder value and a platform for growth in earnings.

The core of the plan is to get the Company's financial house in order, focus back on the business of diagnostic imaging, and restore the faith of shareholders (and financial markets) in the company.

Financially the focus is on reducing unnecessary overhead costs, generating better margins and deleveraging the balance sheet. We have achieved annualised savings of \$3m - \$4m so far and expect additional savings before the full year. Key steps to reduce overheads have included terminating advertising and sponsorship costs, a smaller head office footprint, and reductions in IT spending. We have also sold (or are the process of selling) underutilised or underperforming assets including one clinic and 3 freehold properties expected to generate up to \$5m in proceeds. Our review of non-core assets will continue over coming months.

The proceeds on sale of assets will go toward reducing leverage while the improved margins and free cash flow generation will deliver the ability to further improve debt metrics in the future. Concurrently, we are also undertaking a strategic review of all aspects of the group, its capital and finance structure - with the view to drive value for our shareholders. The goal of these actions and our strategic review is to provide full integration of our businesses, reduce leverage and increase our profit per share.

On a very positive note I am pleased to be able to report stronger than anticipated performance and it also appears that the overall market is growing a little more strongly than it has been over recent periods. Our Core Radiology EBITDA for the half was \$9.3 m, well ahead of our expectations, and a few other factors have contributed to a more positive outlook. These include, the successful transfer of a full MRI license between its significantly underutilised location at Mildura and our Imaging at Olympic Park site in central Melbourne and the deferral of the government's proposed bulk billings incentive reduction. Significantly, the government narrative around reviewing the Medicare rebate freeze for diagnostic imaging is changing markedly with the appointment of the new Health Minister. These changes along with the early impact of cost reductions delivered the stronger than expected profit result and gave us the confidence to provide higher revenue and profit guidance for the full year. Indeed stronger trading continued throughout January 2017.

I continue to have great confidence in our business and extend my thanks to each of our staff for their contributions to the success of the company and our performance for the first half of FY17.

I would also like to thank our shareholders (some long suffering) for their faith in the Company.

It certainly looks like there are better days ahead!



Andrew Harrison / Managing Director



Board Of Directors

Directors



Mr Andrew Demetriou
Chairman and Non-Executive Director

Mr Andrew Demetriou

Chairman and Non-Executive Director – Appointed 17 November 2014

Mr Demetriou was Chief Executive Officer of the Australian Football League from 2003 until June 2014, and has been the Managing Director of the Ruthinium Group (of which he remains a board member). Andrew has also served as Non-Executive Chairman of the Baxter Group, and is a former Chairman of the Australian Multicultural Advisory Council.

Mr Demetriou is a Director of Crown Resorts Limited (ASX:CWN), a Non-Executive Chairman of Career One, Director of the sports marketing firm Bastion Group and is a Non-Executive Director of Crown Bet Pty Ltd.



Mr Andrew Harrison
Managing Director

Mr Andrew Harrison

Managing Director - Appointed 11 November 2016

Mr Harrison is an experienced CEO and Non-Executive Director of both publicly listed and proprietary companies, across a range of sectors including healthcare (radiology and dental), resources, and the commercialisation of proprietary intellectual property. He has extensive experience in capital market transactions, including IPO activities, both local and international mergers and acquisitions, strategic restructuring and turnaround, and the management of distributed branch network organisations.

He has held senior executive roles with Brambles Australia, been a consultant to Chubb Australasia, was Managing Director and a Non-Executive Director of ASX listed Neptune Marine Services Limited and a Non-Executive & Executive Director of Draig Resources Limited. Mr Harrison has also served as a non-executive director of Capitol Health (from December 2005 until October 2016).

Board Of Directors



Ms Nicole Sheffield
Non-Executive Director

Nicole Sheffield

Non-Executive Director – Appointed 23 December 2015

Ms Sheffield is the Managing Director of News Digital Networks Australia (DNA), a wholly owned business unit of News Corp Australia, which along with the digital masthead sites includes the brands Taste.com.au, Donna Hay, Vogue, GQ, Body+Soul, Kidspot.com.au and News.com.au. Ms Sheffield is responsible for identifying high growth digital opportunities, designing appropriate business strategies and aligning digital networks to achieve success.

Her previous experience includes General Manger of Foxtel's LifeStyle Channels Group, senior executive roles at Seven West Media's Pacific Magazines and management roles in the multimedia division of Telstra. Ms Sheffield is a director of and Chair of Marketing and Communications of Chief Executive Women (CEW) and is a director of Interactive Advertising Bureau Australia Limited. She has a Masters of Business (UTS) and a Bachelor of Arts/Bachelor of Laws (Macquarie University).

Company Secretary



Jennifer Currie
General Counsel & Company Secretary

Jennifer Currie

General Counsel & Company Secretary – Appointed November 2015

Ms Currie is an experienced corporate counsel and company secretary, with a background in the health and medical research sector. Her previous roles include General Counsel & Company Secretary for Baker IDI Heart & Diabetes Institute and PRB Foods. Other in-house legal experience includes Medibank, Telstra and the University of Melbourne.

She is a Non-Executive Director of Summer Infant Australia and a former Non-Executive Director of the Intensive Care Foundation. She holds a Bachelor of Commerce and a Master of Laws and is currently completing a Graduate Diploma in Applied Corporate Governance through the Governance Institute of Australia.

Directors' Report

The Directors present their report together with the financial report of Capitol Health Limited (the "Company") and its controlled entities (the "Group"), for the half year ended 31 December 2016, 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 Harrison

Managing Director – Appointed 11 November 2016
(Interim CEO from 6 October 2016 until permanent appointment and previously Non-Executive Director for the remainder of the half year period).

Mr Andrew Demetriou

Non-Executive Director and Chairman

Ms Nicole Sheffield

Non-Executive Director

Mr John Conidi

Executive Director – Resigned as Director on 6 October 2016 and as an executive on 4 November 2016

Mr Peter Lewis

Executive Director – Resigned 19 August 2016

Results

The Group made a net profit after tax for the financial period ended 31 December 2016 of \$2,204,000 (2015: \$2,218,000).

Review of Activities

The major contributing items to the Group's result for the half year ended 31 December 2016 were:

- o Operating Revenue was up \$2.6m (3.4%) over the corresponding period in the prior financial year where:
 - revenue attributable to businesses acquired in 2015 that were not part of the group for the full corresponding period in the prior financial period was \$1.98m;
 - there was one less working day in the half year ended 31 December 2016 compared to the corresponding period in the prior financial period;
 - there were no changes in the level of Medicare rebates; and
 - Medicare diagnostic receipts continued a growth trend toward historic long term growth.

Directors' Report

- o Individually significant revenue items included a profit on property sale of \$0.2m (2015: \$0) and write back of deferred consideration on acquisition of \$1.5m (2015: \$0);
- o Individually significant expense items were restructuring costs of \$0.5m (2015: \$0.2m), loss on unamortised share options granted in prior year and forfeited in the current period of \$0.5m (2015: \$0) and a recognition of an impairment loss in the investment in the listed entity Mach 7 Technologies Limited of \$0.1m (2015: \$0);
- o Borrowing Expense increased by \$1.06m (45%) over the corresponding period in the prior financial year primarily due to the higher cost of borrowings with the Senior Unsecured Notes; and
- o Income tax expense was down \$1.0m (78%) over the corresponding period in the prior financial year principally as a consequence of lower profits. The disclosed tax rate of 11.3% of Net Profit Before Tax is less than the normal tax rate of 30% principally as a consequence of the taxation impact of non-assessable revenue items.

Events Subsequent to Reporting Date

Subsequent to Balance Date:

- o The joint venture agreement with CITIC Pharmaceutical (Shenzhen) Co., Ltd and Xiamen Zhouxin Medical Image Co., Ltd was executed on 20 February 2017. The entity expects to provide consulting and management services to independent imaging centres in China; and
- o The Company has successfully placed \$35m at \$0.14 per share to institutional investors ("Private Placement") subject to shareholder approval at an Extraordinary General Meeting ("EGM"). The Company has also announced that a \$3.5m Share Purchase Plan ("SPP") will be offered to eligible shareholders on the records date of 27 February 2017 to subscribe for up to \$15,000 of new shares per shareholder. The SPP offer is to be conditional on the Company's shareholders approving the Private Placement at the EGM. The Company reserves the right (in the Board's absolute discretion) to scale back applications should aggregate demand exceed \$3.5m or to accept over subscriptions should the Company determine there is sufficient shareholder interest.

Auditor's Independence Declaration

The auditor's independence declaration is set out on page 9 of the consolidated interim financial report and forms part of the Directors report for the half year ended 31 December 2016.

Signed in accordance with a resolution of the Directors:



Andrew Harrison

Managing Director Dated at Melbourne, Victoria this 28th day of February 2017.

RSM Australia Partners

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PO Box 248 Collins Street West VIC 8007

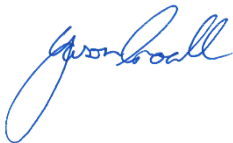
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Capitol Health Limited for the half year ended 31 December 2016, 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 AUSTRALIA PARTNERS**

J S CROALL
Partner

28 February 2017
Melbourne, Victoria

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Consolidated Interim Statement of Profit or Loss for the Half Year Ended 31 December 2016

		31 December 2016	31 December 2015
	Note	\$'000	\$'000
Continuing Operations			
Revenue from Services Rendered		79,807	77,043
Other Income	4	1,927	330
Employee Benefits	5	(50,368)	(47,199)
Equipment Related Expense		(3,932)	(3,580)
Occupancy Expense		(5,969)	(5,852)
Consumables Expense		(3,311)	(3,026)
Telecommunications Expense		(1,324)	(1,153)
Management Fees		(164)	(362)
Computer IT & Support Expense		(2,525)	(1,161)
Insurance Expense		(592)	(543)
Impairment of Assets	6	(107)	-
Borrowing Expense		(3,413)	(2,350)
Acquisition Expense		-	(1,513)
Depreciation & Amortisation Expense		(3,668)	(3,403)
Other Expenses		(3,876)	(3,735)
Profit Before Income Tax		2,485	3,496
Income Tax on Continuing Operations		(281)	(1,278)
Profit for the Period		2,204	2,218
Profit for the Period Attributable to Owners of the Parent		2,204	2,218
Earnings per Share (cents)			
Total Basic Earnings for the Period		0.42	0.42
Total Diluted Earnings for the Period		0.42	0.42

The accompanying notes form part of these financial statements.

Consolidated Interim Statement of Comprehensive Income for the Half Year Ended 31 December 2016

	31 December 2016	31 December 2015
	Note	Note
	\$'000	\$'000
Profit for the Period	2,204	2,218
Other Comprehensive Income / (Loss)		
Items that may be Reclassified Subsequently to Profit or Loss	10	
Exchange Translation Differences	441	-
Hedge Valuation Differences (Net of Tax)	207	-
Gain / (Loss) on Available for Sale Financial Assets (Net of Tax)	15	(644)
Total Other	663	(644)
Total Comprehensive Income for the Period	2,867	1,574
Total Comprehensive Income for the Period Attributable to Owners of the Parent	2,867	1,574

The accompanying notes from part of these financial statements.



Consolidated Interim Statement of Financial Position as at 31 December 2016

		31 December 2016	30 June 2016
	Note	\$'000	\$'000
Current Assets			
Cash and Cash Equivalents		12,551	15,744
Trade and Other Receivables		3,889	3,756
Other Financial Assets	7	135	135
Non-Current Assets Held for Sale		3,956	4,612
Other Assets		806	975
Total Current Assets		21,337	25,222
Non-Current Assets			
Other Financial Assets	7	16,518	15,602
Property, Plant & Equipment		34,940	35,769
Intangible Assets	8	129,970	129,970
Deferred Tax Assets		6,090	5,816
Total Non-Current Assets		187,518	187,157
Total Assets		208,855	212,379
Current Liabilities			
Trade and Other Payables		8,956	11,090
Derivative Financial Instruments		245	575
Employee Benefits		10,209	10,153
Loans and Borrowings		1,342	4,802
Income Tax Liability		50	622
Total Current Liabilities		20,802	27,242
Non-Current Liabilities			
Employee Benefits		1,079	1,079
Loans and Borrowings		97,755	98,399
Deferred Tax Liabilities		1,040	1,018
Total Non-Current Liabilities		99,874	100,496
Total Liabilities		120,676	127,738
Net Assets		88,179	84,641
Equity			
Issued Capital	9	87,849	87,849
Reserves	10	510	(825)
Retained Earnings / (Accumulated Losses)		(180)	(2,383)
Equity Attributable to Owners of the Parent		88,179	84,641
Total Equity		88,179	84,641

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the Half Year Ended 31 December 2016

	Note	31 December 2016 \$'000	31 December 2015 \$'000
Cash Flows From/(Used in) Operating Activities			
Cash Receipts in the Course of Operations		81,267	79,533
Cash Payments in the Course of Operations		(72,878)	(69,167)
Interest Received	4	72	166
Interest Paid		(3,422)	(2,546)
Income Tax Paid		(1,168)	(3,256)
Net Cash From/(Used in) Operating Activities		3,871	4,730
Cash Flows From / (Used in) Investing Activities			
Proceeds from Sale of Non-Current Assets		880	-
Payments for Property Plant and Equipment		(3,148)	(4,414)
Payments for Subsidiaries / Business Acquisitions (Net of Cash Acquired)		(54)	(31,931)
Payment of Acquisition Costs		-	(4,636)
Payments for Investments in Unlisted Entities		(3,957)	-
Redemption of / (Payment for) Financial Assets Held to Maturity		-	595
Net Cash From / (Used in) Investing Activities		(6,279)	(40,386)
Cash Flows From / (Used in) Financing Activities			
Payment of Share Issue Costs	9	-	(3)
Payment of Dividend	11	-	(3,087)
Payment for Leasing Arrangements		(785)	(921)
Proceeds from Secured Loans		-	23,527
Net Cash From / (Used in) Financing Activities		(785)	19,516
Net Increase / (Decrease) in Cash and Cash Equivalents		(3,193)	(16,139)
Cash and Cash Equivalents at 1 July		15,744	36,709
Cash and Cash Equivalents at End of Period		12,551	20,569

All amounts disclosed in the Consolidated Statement of Cash Flows are inclusive of GST where applicable.

The accompanying notes form part of these financial statements.

Consolidated Interim Statement of Changes in Equity for the Half Year Ended 31 December 2016

	Note	Issued Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
At 1 July 2015		87,543	644	5,697	93,884
Comprehensive Income / (Loss)					
Profit / (Loss) for the Period		-	-	2,218	2,218
Other Comprehensive Income / (Loss)		-	(642)	-	(642)
Comprehensive Income / (Loss)		-	(642)	2,218	1,576
Transactions with Equity Holders in their Capacity as Equity Holders					
Shares Issued Through DRP	9	309	-	(309)	-
Share Issue Costs (Net of GST)	9	(3)	-	-	(3)
Dividends Paid	11	-	-	(3,087)	(3,087)
Total Transactions with Equity Holders		306	-	(3,396)	(3,090)
At 31 December 2015		87,849	2	4,519	92,370
At 1 January 2016		87,849	2	4,519	92,370
Comprehensive Income / (Loss)					
Profit / (Loss) for the Period		-	-	(6,902)	(6,902)
Other Comprehensive Income / (Loss)		-	(941)	-	(941)
Total Comprehensive Income		-	(941)	(6,902)	(7,842)
Transactions with Equity Holders in their Capacity as Equity Holders					
Valuation of Options Issued	9,10	-	114	-	114
Total Transactions with Equity Holders		-	114	-	114
At 30 June 2016		87,849	(825)	(2,383)	84,641
At 1 July 2016		87,849	(825)	(2,383)	84,641
Comprehensive Income / (Loss)					
Profit / (Loss) for the Period		-	-	2,204	2,204
Other Comprehensive Income / (Loss)		-	663	-	663
Total Comprehensive Income		-	663	2,204	2,867
Transactions with Equity Holders in their Capacity as Equity Holders					
Valuation of Options Issued	9,10	-	131	-	131
Valuation of Options Forfeited	9,10	-	541	-	541
Total Transactions with Equity Holders		-	672	-	672
At 31 December 2016		87,849	510	(180)	88,179

The accompanying notes form part of these financial statements.

Notes to the Consolidated Interim Financial Statements for the Half Year Ended 31 December 2016

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 consolidated interim financial report of the Company for the half year ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at 30 June 2016 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*. This consolidated interim financial report is prepared on the accruals basis and the historical cost basis except for Available for Sale Financial Assets which are measured at fair value.

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 2016. 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 same accounting policies and methods of computation have been followed in this interim consolidated financial report as compared to the most recent annual financial report.

The consolidated interim financial report was approved by the Directors on 27 February 2017.

3. Significant Accounting Estimates, Assumptions and Judgements

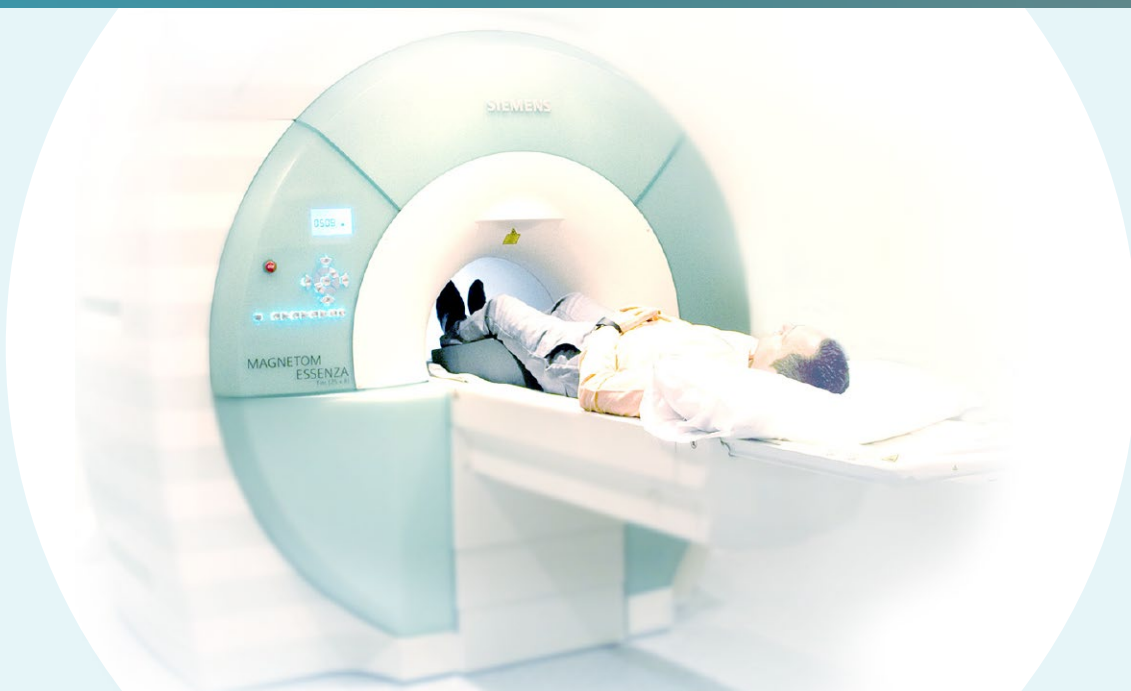
The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent 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 2016.

Notes to the Consolidated Interim Financial Statements for the Half Year Ended 31 December 2016

	31 December 2016 \$'000	31 December 2015 \$'000
4. Other Income		
From Ordinary Activities		
Interest Income on Financial Assets Measured at Amortised Cost	72	166
Miscellaneous Income	134	164
	206	330
Other Items		
Profit on Sale of Fixed Assets	221	-
Reversal of Contingent Consideration Recognised in Prior Period		
Business Acquisition	1,500	-
	1,927	330
5. Employee Benefits		
Wages, Salaries and Self-Employed Contractors Expenses	40,067	38,228
Other Associated Personnel Expenses	2,926	2,388
Defined Contribution Superannuation Expenses	2,475	2,442
Annual and Long Service Leave Entitlements	4,121	4,057
Non-Executive Directors Fees	107	84
Valuation of Share Options Granted During the Period	131	-
Forfeiture of Share Options Granted in Prior Year	541	-
	50,368	47,199
6. Impairment of Assets		
Listed Investment	107	-
	107	-

Notes to the Consolidated Interim Financial Statements for the Half Year Ended 31 December 2016



7. Other Financial Assets

	31 December 2016	30 June 2016
	Note	
	\$'000	\$'000
Current		
Rental Bonds - Held to Maturity	135	135
	135	135
Non-Current		
Investment in Unlisted Entities - At Cost		
At Start Of Period	14,813	-
Investment During the Period	168	14,813
Change in Foreign Currency Valuation	389	-
Market Value At End Of Period	15,369	14,813
Available-For-Sale Financial Assets At Fair Value		
Investment in Listed Entity		
Market Value At Start Of Period	790	2,454
Investment During the Period	445	-
Change in Fair Value	10	(920)
Impairment Charge for the Period	6	(745)
Market Value At End Of Period	1,149	790
	16,518	15,602

Notes to the Consolidated Interim Financial Statements for the Half Year Ended 31 December 2016

8. Intangibles	Goodwill \$'000	Internally Generated \$'000	Total \$'000
At 1 July 2015	105,959	-	105,959
Additions			
Acquisition of Entities & Businesses	31,074	-	31,074
Addition - Internally Generated	-	1,085	1,085
At 30 June 2016	129,970	-	129,970
Represented By:			
Cost	138,928	1,085	140,013
Accumulated Amortisation and Impairment	(8,958)	(1,085)	(10,043)
Net Carrying Amount	129,970	-	129,970
At 1 July 2016	129,970	-	129,970
At 31 December 2016	129,970	-	129,970
Represented By:			
Cost	138,928	-	138,928
Accumulated Amortisation and Impairment	(8,958)	-	(8,958)
Net Carrying Amount	129,970	-	129,970

The Directors considered, that for accounting purposes, the Group's operations in Victoria and New South Wales (NSW) have individually identifiable cash inflows, representing two CGU's for testing of any potential impairment applicable to the Goodwill valuation carried in the accounts of the Group. At 31 December 2016, the Directors have assessed that there is no impairment in the Goodwill carrying values.



Notes to the Consolidated Interim Financial Statements for the Half Year Ended 31 December 2016

9. Issued Capital

	31 December 2016	30 June 2016
	Note	Note
	\$'000	\$'000
Issued Capital		
523,070,161 (30 June 2016: 523,070,161) Fully Paid Ordinary Shares	87,849	87,849

The following movements in issued capital occurred during the period:

	31 December 2016		30 June 2016	
	Number of Shares	\$'000	Number of Shares	\$'000
Balance at the Beginning of the Period	523,070,161	87,849	522,567,973	87,543
Dividend Reinvestment Plan	-	-	502,188	309
Share Issue Costs (net of GST)	-	-	-	(3)
Balance at the End of the Period	523,070,161	87,849	523,070,161	87,849

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

The Company operates an incentive plan known as the Capitol Health Limited Employee Incentive Option Plan.

The table below summarises the number of options that were outstanding, their weighted average exercise price as well as the movements during the period:

		31 December 2016		30 June 2016	
	Note	Number of Options	Weighted Average Exercise Price (Cents)	Number of Options	Weighted Average Exercise Price (Cents)
Balance at the Beginning of the Period		15,000,000	22.42	-	-
Granted	i	13,000,000	18.12	15,000,000	22.42
Forfeited	ii	(15,000,000)	22.42	-	-
Balance at the End of the Period		13,000,000	18.12	15,000,000	22.42

Notes to the Consolidated Interim Financial Statements for the Half Year Ended 31 December 2016



Note:

- i) During the financial period 13,000,000 options (2015: 15,000,000) were issued pursuant to the Plan, including 10,000,000 options to Mr Andrew Harrison (at an exercise price of 17.85 cents, with half vesting on 17 November 2016 and the other half vesting on 17 November 2017, and the shares required to be purchased on market on exercise) and 3,000,000 to senior executives of the Company, including Key Management Personnel (at a weighted average exercise price of 19.03 cents, with 1,500,000 vesting in November/December 2017, 900,000 vesting in November/December 2018, and 600,000 vesting in November/December 2019 and the shares issued on exercise to rank equally with all other shares on issue).
- ii) During the financial period Mr John Conidi voluntarily forfeited his right to 15,000,000 options issued in the previous financial year and the resultant expense for the Company is recognised as Employee Benefits expense as detailed in Note 5.

Notes to the Consolidated Interim Financial Statements for the Half Year Ended 31 December 2016

10. Reserves	Currency Translation \$'000	Cash Flow Hedges \$'000	Asset Revaluation \$'000	Option \$'000	Total \$'000
At 1 July 2015	-	-	644	-	644
Revaluation of Investments	-	-	(918)	-	(918)
- Deferred Tax Thereon	-	-	275	-	275
At 31 December 2015	-	-	2	-	2
Exchange Differences on Translation of Foreign Subsidiaries	(561)	-	-	-	(561)
Valuation of Interest Rate Hedges	-	(540)	-	-	(540)
- Deferred Tax Thereon	-	162	-	-	162
Revaluation of Investments	-	-	(2)	-	(2)
- Deferred Tax Thereon	-	-	1	-	1
Valuation of Options Issued	-	-	-	114	114
At 30 June 2016	(561)	(378)	-	114	(825)
Exchange Differences on Translation of Foreign Subsidiaries	441	-	-	-	441
Valuation of Interest Rate Hedges	-	296	-	-	296
- Deferred Tax Thereon	-	(89)	-	-	(89)
Revaluation of Investments	-	-	21	-	21
- Deferred Tax Thereon	-	-	(6)	-	(6)
Valuation of Options:					
Issued	-	-	-	131	131
Forfeited	-	-	-	541	541
Movement for Financial Period	441	207	15	672	1,335
At 31 December 2016	(120)	(171)	15	786	510

11. Dividends

Dividend Reinvestment Plan ("DRP")

The Company's DRP is currently active and available to all eligible shareholders.

Total Dividends Paid on Ordinary Shares during the Period

During the half year period no dividends were declared or paid (2015: \$3,397,000 – equivalent to \$0.0065 per share).

Dividends Not Recognised at Period End

Since the end of the half year no dividends were declared or paid.

Notes to the Consolidated Interim Financial Statements for the Half Year Ended 31 December 2016

12. Controlled Entities

The Parent Entity is Capitol Health Limited, a company incorporated in Australia.

Controlled entity	Country of Incorporation	Equity Interest	
		31 December 2016	30 June 2016
Capitol Global Pty Ltd	Australia	100%	100%
Capital Radiology Pty Ltd	Australia	100%	100%
Capital Radiology (NSW) Pty Ltd	Australia	100%	100%
Capitol Treasury Pty Limited	Australia	100%	100%
CAJ Holdings Pte Ltd	Singapore	100%	100%
CAJ Investments Pte Ltd	Singapore	99.99%	99.99%
CAJ Consolidated Pte Ltd	Singapore	100%	0%
CAJ China Radiology Pte Ltd	Singapore	100%	0%
CAJ China Operations Pte Ltd	Singapore	100%	0%
CHL Operations Pty Ltd	Australia	100%	100%
Diagnostic MRI Services Pty Ltd	Australia	100%	100%
Diagnostic MRI Services Unit Trust	Australia	100%	100%
Eastern Radiology Services Pty Limited	Australia	100%	100%
Eastern Radiology Services Unit Trust	Australia	100%	100%
Imaging @ Olympic Park Pty Ltd	Australia	100%	100%
Imaging @ Olympic Park Unit Trust	Australia	100%	100%
MDI Group Pty Ltd	Australia	100%	100%
MDI Manningham Pty Ltd	Australia	100%	100%
MDI Radiology Pty Ltd	Australia	100%	100%
Radiology One Pty Ltd	Australia	100%	100%

In the financial statements of the Company investments in subsidiaries are measured at cost. All entity interests held are fully paid ordinary shares or units.

13. Segment Information

The Group comprises the single business segment of the acquisition and operation of diagnostic imaging facilities. The segment is defined by the national registration available for diagnostic imaging. Senior Management and the Board regularly review the Group's operating results to allocate resources and assess/review the Group's performance as a whole. As the Group operates in a single business and geographic segment, no further disclosure is required.

The diagnostic imaging segment operates from the single geographic segment of Australia. The overseas controlled entities did not trade during the period.

Notes to the Consolidated Interim Financial Statements for the Half Year Ended 31 December 2016

14. Contingencies

Contingent Liabilities

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. As at 31 December 2016 rental guarantees not supported by a dedicated deposit totalled \$1,232,000 (30 June 2016: \$1,230,000).

b) Joint Venture with CITIC Pharmaceutical (Shenzhen) Co., Ltd and Xiamen Zhouxin Medical Image Co., Ltd

Pursuant to Note 16, the Group has an obligation to contribute equity of RMB 3m (AUD 0.6M) within three months from the date of issue of the Business License of the joint venture company.

15. Fair Value Measurement of Financial Instruments

The Available-for-Sale Financial Assets At Fair Value are valued with reference to the Australian Stock Exchange (ASX) quoted price (unadjusted) – a Level 1 fair value measurement hierarchy as detailed in Note 1 (b) (ii) of the 2016 annual financial report.

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

The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2015 (30 June 2015: Nil).

16. Events Subsequent to Reporting Date

Subsequent to Balance Date:

- o The joint venture agreement with CITIC Pharmaceutical (Shenzhen) Co., Ltd and Xiamen Zhouxin Medical Image Co., Ltd was executed on 20 February 2017. The entity expects to provide consulting and management services to independent imaging centres in China; and
- o The Company has successfully placed \$35m at \$0.14 per share to institutional investors ("Private Placement") subject to shareholder approval at an Extraordinary General Meeting ("EGM"). The Company has also announced that a \$3.5m Share Purchase Plan ("SPP") will be offered to eligible shareholders on the records date of 27 February 2017 to subscribe for up to \$15,000 of new shares per shareholder. The SPP offer is to be conditional on the Company's shareholders approving the Private Placement at the EGM. The Company reserves the right (in the Board's absolute discretion) to scale back applications should aggregate demand exceed \$3.5m or to accept over subscriptions should the Company determine there is sufficient shareholder interest.

Directors' Declaration

In the opinion of the Directors of Capitol Health Limited:

- (a) the financial statements and notes set out on pages 10 to 23, 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 2016 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:



Andrew Harrison
Managing Director

Dated at Melbourne, Victoria this 28th day of February 2017.

RSM Australia Partners

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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 (“the consolidated entity”) which comprises the consolidated interim statement of financial position as at 31 December 2016, the consolidated interim statement of profit or loss, the consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and the consolidated interim statement of cash flows 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 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 internal 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 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 2016 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*, 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.

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 2016 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*



RSM AUSTRALIA PARTNERS



J S CROALL
Partner

28 February 2017
Melbourne, Victoria

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CAPITOLHEALTH
LIMITED

Consolidated Interim
Financial Report

FOR THE HALF YEAR ENDED

31
DECEMBER 2016