CAPITOL HEALTH LIMITED

ABN 84 117 391 812

2010 ANNUAL REPORT

CONTENTS

CAPITOLHEALTH LIMITED

CORPORATE DIRECTORY

Directors

Mr John Conidi	–	Managing Director
Mr Dominik Kucera	–	Executive Director
Mr Andrew Harrison	–	Non-Executive Director
Mr Steven Sewell	–	Non-Executive Director

Company Secretary

Mr Kim Hogg

Principal Place of Business and Registered Office

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Essendon, Victoria, 3040

Telephone: (61-3) 8383 6515
Facsimile: (61-3) 9370 0336

Stock Exchange

ASX Limited
Exchange Plaza
2 The Esplanade
Perth, Western Australia, 6000

ASX Code: CAJ

Auditor

RSM Bird Cameron Partners
Level 8 South Tower
The Rialto, 525 Collins Street
Melbourne, Victoria, 3000

Solicitors

Steinepreis Paganin
Level 4
16 Milligan Street
Perth, Western Australia, 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
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Perth, Western Australia, 6000

Telephone: (61-8) 9323 2000
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MANAGING DIRECTOR’S REVIEW

Dear Shareholder,

Please find following the Annual Report for 2009/10 for Capitol Health Limited.

During the 2009/10 financial year the Company continued its consolidation activities within the healthcare field of diagnostic imaging through the organic expansion of its clinic and services plus minor growth through acquisition.

The Directors maintain the view that that growth in the overall market will be largely driven by an ageing population and new developments in technology, which will in turn lead to increased referral for diagnostic imaging services. It has been noted by external sources that healthcare is expected to overtake retail in terms of the highest employment sector within the Australian economy.

The internal technology and organisational programs embarked upon to support the expansion of the Group in the imaging field are largely complete at the clinic level. The Board estimates that the Group has extended its lead as the third ranked provider of radiology and associated services in the Victorian market through achieving a higher percentage of Medicare benefits paid in 2009/10 than the previous year. This is in marked comparison to our major competitors.

The Directors are pleased to report that the Company comfortably achieved its stated headline revenue figures. However net profit before tax did not meet initial forecasts due to a general industry downturn in the June quarter. As indicated to the market, the Company did not wish to consider long term restructuring for what may have been a short term fluctuation in activity, with a consequent impact on the long term potential for the Company. The general industry activity appears to be heading back towards long term growth projections for this Company, but maybe not for our competitors.

The Directors are pleased to report that the Company continues to attract high calibre radiologists, technical and support staff to the Company in an environment of general staff scarcity in the diagnostic imaging sector. The Directors believe that Capitol has become an employer of choice within the industry. The attraction of new staff to the Company is leading to higher utilisation rates of equipment than previously experienced.

The benefits of the technology transformation program, in its impact on the bottom line of the Company, have been factored into performance forecasts for 2010/11 released to the general market.

Shareholders should note that the Company has indicated a potential move to a co-payment regime for its services. Although continually under consideration, the Directors place a high value on the current status of being classified as a bulk-biller with the attendant market positioning and strength for the Company with its referrer base and the consequential market pressure brought to bear on its co-payment charging competitors. Any movement to such a regime will be taken with the utmost care to reduce or nullify any negative impact on the Company.

Emphasis within the Group has shifted to cost control, procedures, policies and efficiency, without impinging on the standard of service provided.

On behalf of the Directors I would like to thank our shareholders for their continued support and staff for their efforts during this completed year and the year ahead.

The Board is confident in the future of the enterprise and commends this report to the shareholders.

John Conidi
Managing Director

Melbourne, Victoria

29 September 2010

The Directors present their report together with the financial report of Capitol Health Limited (the "Company") and its controlled entities (the "Group"), for the financial year ended 30 June 2010, and the auditor's report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Mr John Conidi, BBus, CPA
Managing Director – Appointed 30 August 2007

Mr Conidi graduated in 1995 with a Bachelor of Business degree from Royal Melbourne Institute of Technology. He is a CPA and currently manages the Radiology Consolidated entity's operations. Mr Conidi has over 7 years of experience in developing, acquiring and managing businesses in the healthcare industry with a focus on diagnostic imaging. Mr Conidi's role in strategy, management and business development has driven the rapid expansion of the Group.

Mr Dominik Kucera, BBus (Acc), CPA
Executive Director and Chief Financial Officer – Appointed 31 July 2008

Mr Kucera has held senior finance roles in a number of private, joint venture and public companies, under Australian and Multi-National ownership, as both permanent employee and consultant. He has worked in Primary, Secondary and Tertiary (service) industries for extensive periods of time. His last role in a public company was as Chief Financial Officer for Sirius Telecommunications Ltd (ASX code SIU - now named as Sirius Corporation Ltd) for a period of 5 years between its initial listing in 2000 to 2005. Previous employers include ICI Australia Ltd (now Orica), Brambles, Ticketmaster and the Porta Consolidated entity of companies. Mr Kucera has held ultimate responsibility in his various roles for the Finance, Human Resources and IT functions for the companies or business units under his control.

Mr Andrew Harrison, BCom (Hons), MAICD
Non-Executive Director - Appointed 1 December 2005

Mr Harrison has significant experience in both senior management and board positions in publicly listed companies. He has held senior positions in a number of major organisations. Prior to forming Capitol Health Limited, Mr Harrison was Managing Director of Neptune Marine Services Limited, and played an integral role in the initial public offering of that company in April 2004. He was a non-executive director of ASX listed Neptune Marine Services Limited until February 2006, and is currently a Non Executive Director of C @ Limited, an ASX listed company.

Previously he has worked as a management consultant for such clients as Chubb Australasia and has been CEO of a Melbourne based marketing consultancy. Mr Harrison also holds a Bachelor of Commerce (Honours) in Marketing and Commercial Law from Curtin University in Western Australia, and is a member of the Australian Institute of Company Directors.

Mr Steven Sewell
Non-Executive Director – Appointed 6 February 2008

Mr Sewell is an Executive Director of Charter Hall Retail Management Limited (ASX code CQR), Chief Executive officer of the Trust and also holds the position of Chairman of Charter Hall's Real Estate Management Services Group (CREMS) which provides all property level services to CQR, including property management, retail leasing, financial management and regulatory and OH&S compliance. Mr Sewell has over twelve years experience in the property investment and management industry. He is an active member of the Retail Lease Law and Planning sub-committee of the Shopping Centre Council of Australia. He is a graduate in Science from the University of Melbourne and The Geelong College.

Mr Sewell will be retiring by rotation and seeking re-election by shareholders at the 2010 Annual General Meeting.

COMPANY SECRETARY

Mr Kim Hogg, BCom
Company Secretary – Appointed 1 December 2005

Mr Hogg is a principal of a public practice providing specialist services to clients seeking to raise capital and list on the ASX. He has predominantly been involved in the preparation of prospectuses and in compliance work as company secretary for both listed and unlisted entities. Mr Hogg completed a Bachelor of Commerce degree in 1984 at the University of Western Australia. He is currently the company secretary of a number of companies listed on the ASX.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by Directors of the Company during the last 3 years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship From	To
Mr J Conidi	Nil	-	-
Mr D Kucera	Nil	-	-
Mr A Harrison	C @ Limited	2005	Present
Mr S Sewell	Nil	-	-

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board Meetings		Nomination and Remuneration Committee Meetings		Audit and Risk Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Mr J Conidi	8	8	-	-	2	2
Mr D Kucera	8	8	-	-	2	2
Mr A Harrison	8	8	-	-	2	2
Mr S Sewell	8	8	-	-	-	-

Committee membership

As at the date of the report, the Company had a Nomination and Remuneration Committee and an Audit and Risk Committee of the Board of Directors. Members acting on the committees of the Board during the financial year were:

Nomination and Remuneration Committee	Audit and Risk Committee
Mr S Sewell (Chairman)	Mr D Kucera (Chairman)
Mr J Conidi	Mr J Conidi
Mr A Harrison	Mr A Harrison

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were the provision of services and facilities to healthcare businesses.

OPERATING AND FINANCIAL REVIEW

The results for the 2009/10 financial year incorporate the following key developments:

- Increase in Medicare Rebates for Bulk Billers from 85% of the Schedule Fee to 95%, in November 2009.
- Substantial expansion of Tele-radiology services
- Sector instability introduced in June Quarter 2010.
- Completion of the major components of the RIS/PACS/Fibre-Optic network at all existing clinics
- Rebranding program to "Capital Radiology" commenced for all clinics
- Amalgamation of all Goodwill components into one "CGU" for impairment purposes
- Installation of 2 new MRI's at Footscray and Niddrie sites

OPERATING AND FINANCIAL REVIEW (cont'd)

Operating review

Revenues and Trading environment

Medicare Rebate increases became effective from November of 2009. The positive impact on Revenue of these increases on a notional basis was effectively 6% over the course of the financial year. Although welcome, the Rebate level increase is still fall far short of the movement in CPI over the corresponding period (some 34+%) from the last Rebate review. The Company is still reviewing its options and timing for any potential movement away from the Bulk Billing model to that of a "Gap" or co-payment model.

Tele-radiology services have expanded from a couple of local clients to multiple clients within Victoria, New South Wales, Queensland and the Northern Territory. The expansion of these services has been made possible through the introduction and operation of the unified RIS/PACS/Fibre-Optic network introduced over the course of 2009/10.

A substantial decline in overall Diagnostic Imaging (DI) activity occurred within the sector in the June Quarter 2010. Whereas major public competitors have reported stagnant or declining revenues, the Directors of the Company can report that overall revenues were maintained according to market guidance. However the mix of activity between more and less profitable services altered negatively and is reflected in the market guidance issued on 3 June 2010 in regards to the Net Profit Before Tax result. The Directors indicated in that guidance that actions taken by the company were to be taken in the context of a short-term fluctuation and in order to preserve the intellectual and staff capital of the organisation - as it was felt that this instability would present opportunities for the Company to expand through acquisition or entering markets vacated by competitors. The Directors again refer to the ASX Release of 23 August 2010 which indicates how this strategy has worked out to date.

Overall there has been a substantial increase in Operating Revenue compared to the previous period (25%), of which the increase over the previous period can be attributed to Medicare Rebate increase (6%), increase in Tele-radiology activities (5%) and organic growth from existing facilities (14%).

Competitors and Capitol's Competitive Position

It is important to note that the softening experienced in the June quarter still appears to be affecting our main competitors, who mostly charge a gap or co-payment.

Their loss of revenue and market share is having a direct and negative impact on their bottom line - especially if there has not been a corresponding reduction in expenses. Consequently if our competitors are not able to claw back market share in the short term with their current billing policies, the Directors expect and anticipate they will either reduce their gap fees and/or move towards a bulk billing model.

Any such reduction or movement plays into Capitols hands because their business model is based on private fees. Their structure, equipment and labour spread cannot support bulk billing or reduced fees - any long term move towards bulk billing would be unprofitable unless they overhaul their structure and processes. How this affects labour costs going forward is difficult to assess but the logical assumption is an expectation of wage rates to rise slowly if margins are falling due to reduced fees. Long term, any move towards a DI industry that predominantly bulk bills will lead to rationalisation and consolidation. It is considered unlikely that our competitors could maintain viability whilst bulk billing, invariably presenting Capitol with opportunities.

Obviously if most providers bulk bill one would expect Capitol to possibly lose market share. However, the Directors believe the contrary to be true. We have spent the last two years investing, building and reforming our business for the challenge ahead. Today we have a world's best practice business whose backbone is a fibre-optic network enabling all our clinics to communicate real-time, distributing images and information promptly and efficiently. We are the only major group with a uniform patient management and imaging system across all sites, this enables Capitol to distribute and deliver a comprehensive solution to the referrer. The emergence of IT as a pivotal component in DI has provided Capitol with the opportunity to differentiate its service and product from our competitors. Together with a strong marketing team and dedicated staff, Capitol is well placed to deliver the best service in the market place, resulting not only in maintain market share but actually increasing it at our competitors expense.

Technology Transformational Program

The Directors have previously indicated the substantial technical and organisational changes required by the Company to achieve its business aims.

At the date of this report the key component of the combined RIS/PACS/Fibre-Optic network has been fully implemented. This infrastructure now provides a standardised operating framework for all existing clinics and an easily replicated template to accommodate growth through acquisition or organic expansion.

With the above network in place, work is now proceeding on the installation of a common VOIP telephony system across the group (3 beta-sites in operation) and the introduction of back-office software applications for payroll and accounting purposes.

OPERATING AND FINANCIAL REVIEW (cont'd)

Rebranding Program

The rebranding program has responded to various needs and specialised requirements as the financial year progressed. Clinics in the west, north and east of the Melbourne metropolitan area have been to a greater or lesser extent rebranded under the common "Capital Radiology" banner. Specific modality campaigns, such as the MRI introductions to Footscray and Niddrie, were carried out during the period – all of which required reasonable expenses for the change-over. The program is now expected to be fully complete by June 2011.

Combination of Goodwill

The Directors have reviewed the composition of the various Goodwill assets in the context of the development of the business model for the company. This model necessarily entails the loss of identifiable character in each of the acquisition and organic growth assets, through the introduction of common and unified technology, procedures and staff rostering across all clinics – where all units are considered to be equal parts of the whole. As a consequence the Directors considered that the consolidated Goodwill assets should now be treated as one cash generating unit, pertaining to the total group rather than segmented to individual units.

Introduction of new MRI's and refresh of existing equipment

The Company installed two new MRI's at the Footscray and Niddrie clinics during the reporting period. Running parallel to these major assets is a constant refresh of existing equipment to maintain the high level of technical capability within the organisation.

Staff

The Company has continued strong staff retention within a competitive market and continues to attract potential staff from our major competitors.

Financial review

Outlook

The Directors are of the view that the substantial turnaround in Net Profit Before Tax of roughly $2m between the financial periods contained within this report is confirmation that the expansion and technology program has been bedded down and that further gains can be expected under current market conditions for the coming 2010/11 financial year.

Although Operating Revenue numbers are achieving targets, the cost base of the Company is still to achieve a relative efficiency to those numbers. However as the Company was pursuing an internal transformation program during the period, in addition to the June Quarter issues for the general industry, there exists scope for substantial improvements in the 2010/11 financial year.

The Group retains a considerable tax benefit for utilisation in future periods.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the Group.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The consolidated net assets increased during the financial year 2009/10 by $1,591,997 to $19,225,855 (2009: $17,663,858). The increase comprised the net profit after tax for the period of $705,232 (2009: loss $1,018,218) in addition to a capital raising exercise that resulted in a net $886,765 increase in issued capital.

RESULTS

The Group made a net profit after tax of $705,232 (2009: net loss of $1,018,218) for the financial year.

DIVIDENDS

No dividend has been declared or paid by the Company to the date of this Report.

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date, the Directors advise that the Group has entered into the following transactions and repositioning of existing clinics:

MDI Radiology & Reflective Imaging acquisitions

The acquisition of 2 major clinics located in the western suburbs of Melbourne (Footscray and Werribee) from MDI Radiology Pty Ltd. Consideration for the purchase is $400,000, payable by instalments over 10 months plus the assignment of employee entitlements and equipment lease contracts. These acquisitions strengthen the position of the Company in being the predominant service provider in the area.

The acquisition of 2 clinics located in Wallan and Broadford in rural Victoria from Reflective Imaging Pty Ltd. Consideration for the purchase is $135,000, payable by instalments over 12 months plus an employment contract for the Chief Radiographer of the vendor. These acquisitions strengthen the position of the Company in the growth corridor along the Calder and Hume Highways and complete a link between the Company's Kilmore facility and those in Sunbury, Keilor and Sydenham.

Organic growth

The implementation of three (3) new facilities in metropolitan Melbourne, 2 satellite sites in Rowville and one full service facility in Glenroy. The Rowville developments strengthen the operational "hub" being built up around the major Vermont and Dandenong facilities.

Relocation of Williamstown Hospital facility to Company-owned site

The Company has been advised that Western Health will not renew the current Williamstown Hospital arrangement. The Hospital has decided to take back services in-house, effective no later than 5th February 2011 in order to only operate an in-patient facility. The Group will re-establish a facility near to the Hospital, as a service for the private referrers in the area. This movement of facility is not expected to negatively impact revenue generation and will enable the re-established location in Williamstown to work more cooperatively with the new Capitol Health locations in the Western suburbs listed above.

LIKELY DEVELOPMENTS

The Group will continue to operate in the diagnostic imaging market and pursue its strategy of expansion through acquisition and organic growth. The Operating and Financial Review above and the Managing Director's Review set out more details about likely developments in the operations of the Group in future financial years.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report because disclosure of such information would likely result in unreasonable prejudice to the Group.

DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options issued by the Company at the date of this report is as follows:

Director	Ordinary shares	Listed Options
Mr J Conidi	29,809,215	3,232,883
Mr D Kucera	953,216	453,216
Mr A Harrison	13,400,001	-
Mr S Sewell	100,000	-

OPTIONS

Options granted to Directors and key management personnel

No options have been granted during or since the end of the financial year.

Unissued shares under option

At the date of this report, there are no unissued ordinary shares of the Company under option.

No shares were issued during or since the end of the financial year as a result of the exercise of an option over unissued shares.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the current directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

The Company paid a premium during the year in respect of a director and officer liability insurance policy, insuring the Directors of the Company, the Company Secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

NON-AUDIT SERVICES

The Company's auditor, RSM Bird Cameron Partners, was appointed in 2009 and did not provide any non-audit services during the year.

The previous auditor was BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd.

Details of the amounts paid to the auditor of the Company, RSM Bird Cameron Partners, and its related practices for audit and non-audit services provided during the year are set out below:

	Consolidated 2010 $	**Consolidated 2009 $**
Audit services:		
Auditors of the Company		
- audit and review of financial reports (RSM Bird Cameron Partners)	**48,000**	-

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 13 of the financial report.

AUDITED REMUNERATION REPORT

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and the *Corporations Regulations 2001*.

For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company. The Group does not presently employ any executives, other than the executive directors.

KEY MANAGEMENT PERSONNEL

The following were key management personnel of the Group at any time during the year and unless otherwise indicated were key management personnel for the entire year:

Name	Position held
Mr J Conidi	Managing Director
Mr D Kucera	Executive Director
Mr A Harrison	Non-Executive Director
Mr S Sewell	Non-Executive Director

REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration policies for the directors and executives. If necessary, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Group.

PRINCIPLES OF REMUNERATION

Compensation levels for key management personnel of the Company and the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the relevant segments performance
- the Group's performance including:
  - the Group's earnings, and
  - the growth in share price and delivering constant returns on shareholder wealth.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives.

Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2005 General Meeting, is not to exceed $150,000 per annum. Directors' fees cover all main board activities and membership of committees.

Non-executive directors do not receive any retirement benefits, nor do they receive any performance related compensation.

Executive remuneration

Executive Directors are employed under the general terms of the Award that govern the industry sector, as appropriate to their position.

Executive directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

AUDITED REMUNERATION REPORT (cont'd)

Fixed compensation

Fixed compensation consists of base compensation, as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the remuneration committee through a process that considers individual, segment and overall performance of the Group.

Other benefits

Key management personnel may receive benefits such as car allowances, and the Company pays fringe benefits tax on these benefits.

Short-term incentives

Key management personnel did not receive short-term incentives during the 2010 or 2009 reporting periods.

Long-term incentives

Long-term incentives ("LTI") may be provided to key management personnel via the Capitol Health Limited Incentive Option Scheme ("Scheme") (refer to Note 16 to the financial statements). The LTI are provided as options over ordinary shares of the Company to key management personnel based on their position within the Group. Vesting conditions may be imposed on any LTI grants if considered appropriate, in accordance with the Scheme's terms and conditions.

LTI are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth. Options may only be issued to Directors subject to approval by shareholders in general meeting.

There were no options granted as compensation to key management personnel during the 2010 or 2009 reporting periods.

The Company has introduced a policy that prohibits employees and directors of the Group from entering into transactions that operate or are intended to operate to limit the economic risk or are designed or intended to hedge exposure to unvested Company securities. This includes entering into arrangements to hedge their exposure to LTI granted as part of their remuneration package. This policy may be enforced by requesting employees and directors to confirm compliance.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the directors have regard to the following indices in respect of the current financial year and the previous three financial years:

	2010	2009	2008	2007
Net profit/(loss) for the year	$705,232	($1,018,218)	$214,521	($966,327)
Dividends paid	nil	nil	nil	nil
Change in share price	(3.6 cents)	(0.9 cents)	(2.5 cents)	(17.0 cents)
Share price at beginning of the period	6.1 cents	7.0 cents	9.5 cents	26.5 cents
Share price at end of the period	2.5 cents	6.1 cents	7.0 cents	9.5 cents
Earnings/(loss) per share	0.23 cents	(0.37 cents)	0.09 cents	(1.72 cents)

The overall level of key management personnel's compensation takes into account the performance of the Group. As a result, the level of compensation has remained unchanged, other than the increase or decrease in compensation levels due to the appointment or resignation of key management personnel or variations in applicable workload. Furthermore, total remuneration for all non-executive directors has remained unchanged since December 2005.

There were no performance related remuneration transactions during the financial year (2009: nil).

EMPLOYMENT AGREEMENTS

The Group has not entered into employment agreements with any of its key management personnel.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of the remuneration of each key management person of the Group are:

		SHORT-TERM			POST-EMPLOYMENT	LONG-TERM	SHARE-BASED PAYMENTS			
		Salary & fees $	STI cash bonus $	Other benefits $	Superannuation benefits $	Long service leave $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors										
Non-executive										
Mr A Harrison[1]	2010	30,000	-	-	-	-	-	30,000	-	-
	2009	102,576	-	-	3,738	-	-	106,314	-	-
Mr S Sewell	2010	29,358	-	-	2,642	-	-	32,000	-	-
	2009	30,000	-	-	2,700	-	-	32,700	-	-
Executive										
Mr J Conidi	2010	142,923	-	-	13,676	25,615	-	182,214	-	-
	2009	150,577	-	-	13,318	363	-	164,258	-	-
Mr D Kucera[2]	2010	180,699	-	4,501	16,668	407	-	202,275	-	-
	2009	189,504	-	-	17,055	-	-	206,559	-	-
Total, all key management personnel	**2009**	**382,980**	**-**	**4,501**	**32,986**	**26,022**	**-**	**446,489**	**-**	**-**
	2009	**472,657**	**-**	**-**	**36,811**	**363**	**-**	**509,831**	**-**	**-**

Notes in relation to the table of remuneration:

1. Mr Harrison stepped down from his role as Managing Director with effect from 31 July 2008. He remains on the board as a non-executive director.
2. Appointed 31 July 2008.

This is the end of the audited Remuneration Report.

Dated at Melbourne, Victoria this 29th day of September 2010.

Signed in accordance with a resolution of the directors:

____

John Conidi

Managing Director

RSM Bird Cameron Partners
Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Capitol Health Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Miano

R B MIANO
Partner

Melbourne
30 September 2010

The Board and management of Capitol Health Limited ("Capitol Health" or the "Company") recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a robust system of corporate governance. The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

The Company acknowledges the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (2nd Edition) (the "Recommendations"). This Corporate Governance Statement provides details of the Company's compliance with those Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. A checklist summarising the Company's compliance with the Recommendations is also set out at the end of this statement.

The Company's corporate governance policies are available on the Company's website: www.capitolhealth.com.au. This statement reflects Capitol Health's corporate governance system in place during the 2010 financial year and as at the date of this report.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board Charter

The Board is accountable to shareholders for the performance of the Company. The Board operates under the Board Charter that details its functions, responsibilities and powers and those delegated to management.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation 1.1.

Evaluation of the performance of senior executives

The performance of senior executives is evaluated in accordance with the Performance Evaluation Process. The Company does not currently have any senior executives and consequently, a performance evaluation for senior executives has not taken place during the reporting period.

The Board Charter and Performance Evaluation Process are available on the Capitol Health website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board

The Board consists of the Managing Director, an executive director and two non-executive directors. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of Board meetings and the attendance of the directors are set out in the Directors' Report.

The Company has yet to appoint a chairman of the Board. The Board Charter summarises the roles and responsibilities of the Chairman (once appointed) and the Managing Director, Mr Conidi.

The Company is at variance with Recommendation 2.2 in that the Board does not have an independent Chairman. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the expense of the appointment of an additional director to perform the function of an independent chairman.

Independence of non-executive directors and the Chairman of the Board

The Board has assessed the independence of the non-executive directors and the Chairman using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1.

Mr Harrison does not satisfy the tests of independence as detailed in the Recommendations. Although Mr Sewell holds 100,000 fully paid ordinary shares in the Company, the Board considers this immaterial. He is regarded as independent as Mr Sewell is not a substantial shareholder as defined by the *Corporations Act*.

The Company is at variance with Recommendation 2.1 in that the majority of directors are not independent. The Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.1, all directors bring an independent judgement to bear on Board decisions.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members and is chaired by an independent non-executive director, Mr Sewell.

The Nomination and Remuneration Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 2.4.

For information on the skills, experience and expertise of the Nomination and Remuneration Committee members, refer to the Directors' Report.

Details of the members and their attendance at meetings of the Nomination and Remuneration Committee are included in the Directors' Report.

The Company is at variance with Recommendation 2.4 in that the Nomination and Remuneration Committee does not consist of a majority of independent directors. The Board considers that this composition is appropriate given the current size of the Company.

Board renewal and succession planning

The appointment of directors is governed by the Company's Constitution and the Appointment and Selection of New Directors policy. In accordance with the Constitution of the Company, no director except a Managing Director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

The Company has not adopted a policy in relation to the retirement or tenure of directors.

The appointment of the Company Secretary is a matter for the Board. Information on the skills, experience and qualifications of the Company Secretary can be found in the Directors' Report.

Evaluation of the performance of the Board, its committees and individual directors

The performance of the Board, its committees and individual directors are evaluated in accordance with the Performance Evaluation Process. Performance evaluations of the Board, the Nomination and Remuneration Committee, the Audit and Risk Committee and individual directors have taken place in the reporting period and were carried out in accordance with the process disclosed.

Induction and education

When appointed to the Board, a new director will receive an induction appropriate to their experience. Directors may participate in continuing education to update and enhance their skills and knowledge from time to time, as considered appropriate.

Access to information and advice

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after consultation with the Chairman.

The Company's Constitution, Nomination and Remuneration Committee Charter and the policy for Appointment and Selection of New Directors are available on the Capitol Health website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Board has adopted a Code of Conduct which applies to all directors and officers of the Company. It sets out Capitol Health's commitment to successfully conducting the business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1.

Securities Trading Policy

The Dealing Rules for Employees and Directors sets out the rules relating to dealings by employees and directors in securities issued by the Company. Directors and employees may only trade in Capitol Health securities during prescribed trading windows and only then if they are not in possession of inside information. All directors and employees are required to seek approval before trading in Capitol Health securities during the trading windows.

Capitol Health has instituted prohibitions on employees and directors from using derivatives or hedging arrangements that operate or are intended to operate to limit the economic risk of security holdings over unvested Company securities.

The Company will publicly disclose all derivatives or hedging arrangements over vested Capitol Health securities taken out by a director of the Company.

The Dealing Rules reflects the matters set out in the commentary and guidance for Recommendation 3.2.

The Code of Conduct and a summary of the Dealing Rules for Employees and Directors are available on the Capitol Health website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

The Audit and Risk Committee consists of three members and is chaired by Mr Kucera.

The Audit and Risk Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 4.3.

For information on the skills, experience and expertise of the Audit and Risk Committee members, refer to the Directors' Report.

Details of the members and their attendance at meetings of the Audit and Risk Committee are included in the Directors' Report.

The Company is at variance with Recommendation 4.2 in that the Audit and Risk Committee does not consist of a majority of independent directors and is not chaired by an independent chairman. The Board considers that this composition is appropriate given the current size of the Company. Furthermore, the Board considers that the Audit and Risk Committee is of a sufficient size and possesses sufficient technical expertise to discharge its mandate effectively.

External auditor

Consistent with its Charter, the Audit and Risk Committee reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years.

The Company's independent external auditor is RSM Bird Cameron Partners ("RSM"). The appointment of RSM was approved by members at the Annual General Meeting held on 26 November 2009.

The Audit and Risk Committee Charter is available on the Capitol Health website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Continuous Disclosure Policy sets out the key obligations of the directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

The Continuous Disclosure Policy is available on the Capitol Health website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Shareholder Communications Policy sets out the Company's aims and practices in respect of communicating with both current and prospective shareholders. The Policy reinforces the Company's commitment to promoting investor confidence by requiring:

- compliance with the continuous disclosure obligations;
- compliance with insider trading laws;
- compliance with financial reporting obligations;
- compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company;
- communication with shareholders in a clear, regular, timely and transparent manner; and
- response to shareholder queries in a prompt and courteous manner.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

The Shareholder Communications Policy is available on the Capitol Health website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Management Policy

Capitol Health recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. As a result, the Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control. The Policy has regard to the Joint Australian/New Zealand Standard, AS/NZS 4360:2004, *Risk management*.

Risk oversight

Capitol Health's risk management framework is supported by the Board of Directors, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee also has delegated responsibilities in relation to risk management and the financial reporting process as set out in the Audit and Risk Committee Charter. Further detail regarding the Audit and Risk Committee can be found above at Principle 4: Safeguarding integrity in financial reporting.

Reporting and assurance

When considering the Audit and Risk Committee's review of financial reports, the Board receives a written statement declaration in accordance with section 295A of the *Corporations Act*, signed by the Managing Director and Chief Financial Officer (or equivalents), that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the Managing Director (or equivalent) and the Chairman of the Audit and Risk Committee also confirm to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

The Risk Management Policy is available on the Capitol Health website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has delegated responsibilities in relation to the Company's remuneration policies as set out in the Nomination and Remuneration Committee Charter. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1. Further detail regarding the Nomination and Remuneration Committee can be found above at Principle 2: Structure the Board to add value.

Non-executive directors' remuneration policy

The structure of non-executive directors' remuneration is clearly distinguished from that of executives. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2005 General Meeting, is not to exceed $150,000 per annum. Non-executive directors do not receive performance-related compensation. Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation.

Executive directors' remuneration policy

Executive Directors are employed under the general terms of the Award that govern the industry sector, as appropriate to their position. This sector is one of the major targets of the Federal Governments industrial reforms in terms of Award modernisation and concentration. The intention is to issue formal contracts to Executive Directors concurrently with the updating of the majority of all other staff contracts of employment that will result from the introduction of a single industrial Award on 1 January 2010. This will be a significant undertaking and it is considered appropriate for the Executive Directors to exemplify the commitment of the Company to a universal Award.

The checklist below summarises the Company's compliance with the Recommendations.

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 1	**Lay solid foundations for management and oversight**		
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	Yes	Website & Page 14
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Website & Page 14
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website & Page 14
Pr 2	**Structure the board to add value**		
Rec 2.1	A majority of the board should be independent directors.	No	Website & Page 14
Rec 2.2	The chairman should be an independent director.	No	Website & Page 14
Rec 2.3	The roles of chairman and chief executive officer should not be exercised by the same individual.	No	Website & Page 14
Rec 2.4	The board should establish a nomination committee.	Yes	Website & Page 15
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Website & Page 15
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2.	Yes	Website & Page 14 & 15
Pr 3	**Promote ethical and responsible decision making**		
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: ▪ the practices necessary to maintain confidence in the company's integrity; ▪ the practices necessary to take account of their legal obligations and reasonable expectations of their stakeholders; and ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website & Page 15
Rec 3.2	Companies should establish a policy concerning trading in company securities by directors, officers and employees and disclose the policy or a summary of that policy.	Yes	Website & Page 16
Rec 3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website & Page 15 & 16

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 4	**Safeguard integrity in financial reporting**		
Rec 4.1	The board should establish an audit committee.	Yes	Website & Page 16
Rec 4.2	The audit committee should be structured so that it: ▪ consists only of non-executive directors; ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair, who is not the chair of the board; and ▪ has at least three members.	Yes	Website & Page 16
Rec 4.3	The audit committee should have a formal charter.	Yes	Website & Page 16
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website & Page 16
Pr 5	**Make timely and balanced disclosure**		
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes	Website & Page 16
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website & Page 16
Pr 6	**Respect the rights of shareholders**		
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website & Page 17
Rec 6.2	Company should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website & Page 17
Pr 7	**Recognise and manage risk**		
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website & Page 17
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Website & Page 17
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Website & Page 17
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website & Page 17
Pr 8	**Remunerate fairly and responsibly**		
Rec 8.1	The board should establish a remuneration committee.	Yes	Website & Page 17 & 18
Rec 8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Website & Page 17 & 18
Rec 8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website & Page 17 & 18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2010

	Note	2010 $	2009 $
Continuing operations			
Revenue from ordinary activities	3	35,358,068	28,284,354
Other income	4	49,802	1,241,668
Employee benefits expense	6	(20,650,177)	(18,177,438)
Depreciation expense		(1,514,603)	(1,326,070)
Impairment of goodwill		-	(1,894,632)
Consumables / Cost of sales expense		(2,740,591)	(1,712,073)
Marketing expenses		(244,666)	(331,979)
Occupancy expenses		(2,492,086)	(1,908,060)
Interest expense		(458,576)	(446,327)
Bad debt expense		(87,520)	(101,582)
Equipment-related expense		(3,416,185)	(2,695,508)
Other expenses	5	(3,175,585)	(2,522,200)
Profit/(loss) before income tax		627,881	(1,589,847)
Income tax benefit on continuing operations	8	77,351	268,955
Profit/(loss) from continuing operations		705,232	(1,320,892)
Discontinued operations			
Profit/ (loss) from discontinued operations, net of income tax	25	-	302,674
Profit/(loss) for the period		**705,232**	**(1,018,218)**
Other comprehensive income for the period		-	-
Total comprehensive income for the period net of tax		**705,232**	**(1,018,218)**
Profit/(loss) for the period attributable to owners of the parent		**705,232**	**(1,018,218)**
Total comprehensive income for the period attributable to owners of the parent		**705,232**	**(1,018,218)**
Earnings/(loss) per share			
Basic – on profit/(loss) for the period			
Continuing operations	23	0.24	(0.47)
Discontinued operations	23	-	0.10
Total basic earnings/(loss)		**0.24**	**(0.37)**
Diluted – on profit/(loss) for the period			
Continuing operations	23	0.23	(0.47)
Discontinued operations	23	-	0.10
Total diluted earnings/(loss)		**0.23**	**(0.37)**

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

CAPITOLHEALTH LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	2010 $	2009 $
CURRENT ASSETS			
Cash and cash equivalents	9	679,740	197,304
Trade and other receivables	10	1,240,928	969,782
Other assets	11	336,288	211,469
Total Current Assets		**2,256,956**	**1,378,555**
NON CURRENT ASSETS			
Deferred tax assets	8	794,632	717,281
Property, plant & equipment	12	8,971,812	5,041,813
Intangible assets	13	20,161,294	20,161,294
Total Non Current Assets		**29,927,738**	**25,920,388**
TOTAL ASSETS		**32,184,694**	**27,298,943**
CURRENT LIABILITIES			
Trade and other payables	14	3,746,738	3,007,217
Employee provisions	15	394,977	230,133
Income tax liability		-	269,045
Short term borrowings	17	2,178,786	1,451,365
Total Current Liabilities		**6,320,501**	**4,957,760**
NON CURRENT LIABILITIES			
Employee provisions	15	214,825	259,777
Long term borrowings	17	6,393,513	4,417,548
Total Non Current Liabilities		**6,608,338**	**4,677,325**
TOTAL LIABILITIES		**12,928,839**	**9,635,085**
NET ASSETS		**19,255,855**	**17,663,858**
EQUITY			
Issued capital	18	20,541,091	19,654,326
Reserves	19	6,109	170,609
Accumulated losses	20	(1,291,345)	(2,161,077)
Equity attributable to owners of the parent		**19,255,855**	**17,663,858**
Non-controlling interests		-	-
TOTAL EQUITY		**19,255,855**	**17,663,858**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash receipts in the course of operations		35,086,922	28,373,225
Cash payments to suppliers and employees		(31,786,436)	(26,336,476)
Interest received		1,013,163	28,983
Interest paid		(1,468,973)	(446,327)
Net cash provided by operating activities	28	**2,844,676**	**1,619,405**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		46,500	227,000
Payments for property, plant and equipment		(3,091,110)	(1,583,714)
Payments for acquisition of subsidiaries		(4,234)	(1,274,797)
Net cash used in investing activities		**(3,048,844)**	**(2,631,511)**
Cash flows from financing activities			
Proceeds from the issue of share capital	18	1,012,423	-
Payment of share issue costs		(132,948)	-
Proceeds from sale and leasebacks		1,061,094	710,707
Payment of leasing arrangements		(1,135,476)	(1,678,513)
Proceeds from secured loans from external entities		250,000	689,603
Repayment of secured loans to external entities		(368,489)	(437,500)
Net cash provided by/ (used in) financing activities		**686,604**	**(715,703)**
Net increase/ (decrease) in cash and cash equivalents		**482,436**	**(1,727,809)**
Cash and cash equivalents at 1 July		197,304	1,925,113
Cash and cash equivalents at period end	9	**679,740**	**197,304**

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

CAPITOLHEALTH LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2010

	Issued Capital $	Reserves $	Retained Earnings/ (Losses) $	Total Equity $
Balance as at 30 June 2009	19,654,326	170,609	(2,161,077)	17,663,858
Total recognised gains and losses for the period:				
Profit for the year	-	-	705,232	705,232
Transactions with equity holders in their capacity as equity holders:				
Shares issued	1,012,423	-	-	1,012,423
Share issue costs	(125,658)	-	-	(125,658)
Transfer from reserves	-	(164,500)	164,500	-
Balance as at 30 June 2010	**20,541,091**	**6,109**	**(1,291,345)**	**19,255,855**
Balance as at 30 June 2008	19,654,326	170,609	(1,142,859)	18,682,076
Total recognised gains and losses for the period:				
Loss for the year	-	-	(1,018,218)	(1,018,218)
At 30 June 2009	**19,654,326**	**170,609**	**(2,161,077)**	**17,663,858**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 financial report of the Company for the year ended 30 June 2010 comprises the Company and its subsidiaries (together referred to as the "Group").

The nature of the operations and principal activities of the Group are described in the Directors' Report.

(b) Basis of preparation

Statement of compliance

The financial report is a general-purpose financial report, which has been prepared in accordance with the Australian Accounting Standards ("AASBs") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated financial report of the Group complies with the International Financial Reporting Standards ("IFRSs") and interpretations as issued by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 29 September 2010.

Basis of measurement

The financial report is prepared on the accruals basis and the historical cost basis. The functional and presentation currency of the Company and the Group is the Australian Dollar.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the 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 result 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 these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are outlined below:

(i) Significant accounting estimates and assumptions

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. An impairment loss of $1,894,632 was recognised in the prior year in respect of goodwill. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 13. If any of these estimates were to significantly change, it may have a material impact on the reported amount of goodwill.

Provision for long service leave

The calculation of long service leave has been based on estimates and judgements made by the Directors. Should any of these estimates or judgements significantly change this could have a material affect on the amount recognised.

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties, lease terms and turnover policies. In addition, the condition of the assets is assessed annually and considered against remaining useful life. Adjustments to useful lives are made when necessary.

(ii) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences which the Directors consider probable that future taxable profits will be available to utilise those temporary differences.

(d) Change in accounting policy

The Company has adopted the following new and revised Australian Accounting Standards issued by AASB which are mandatory to apply to the current period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

(i) Presentation of financial statements

The Company has applied the revised AASB 101 *Presentation of Financial Statements (2007)* from 1 July 2009. The revision of this standard now requires the Company to present all non-owner changes to equity ("comprehensive income") in the statement of comprehensive income. The Company has presented the income statement and non-owner changes in equity in one statement of comprehensive income. All owner changes in equity are presented separately in the statement of changes in equity.

(ii) Segment reporting

The Company has applied the revised AASB 8 *Operating Segments* with effect from 1 July 2009. Previously operating segments were reported in accordance with AASB 114 *Segment reporting*. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the company to allocate resources and assess performance. In the case of the Company the chief operating decision maker is the Board of Directors.

As a result of the adoption of AASB 8, the Company's reportable segments not have changed. Operating segments still represent the basis on which the Company reports its segment information to the Board on a monthly basis. Comparative segment information has been represented to comply with the requirements of AASB 8. The change in policy has not resulted in a change to the disclosure presented, nor the Company's profit or earnings per share.

(e) Summary of Significant Accounting Policies

(i) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

Transactions eliminated on consolidation

Inter-entity balances, and any unrealised income and expenses arising from inter-entity transactions, are eliminated in preparing the consolidated financial statements.

(ii) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(iii) Financial instruments

Financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Financial instruments are recognised initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured as described below.

(iii) Financial instruments (cont'd)

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

(iv) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost less any impairment losses recognised. Trade receivables are due for settlement no more than 90 days from date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance is made for doubtful receivables where there is objective evidence that the Group will not be able to collect all of its amounts according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

(v) Loans and borrowings

Loans are recognised initially at fair value, net of transaction costs incurred, and subsequently at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective rate of interest. Borrowings are removed from the statement of financial position when the obligation is discharged, cancelled or expired.

(vi) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 60 days. Trade and other payables are recognised initially at fair value, and subsequently at amortised cost.

(vii) Share capital

Share capital is recognised at the amount of consideration received. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(viii) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs

Subsequent costs are included in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives are as follows:

Plant and equipment	3 to 15 years
Office furniture and equipment	3 to 5 years
Leasehold improvements	3 to 10 years
Motor vehicles	2.5 to 3 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(ix) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is subject to an annual impairment test.

(x) Leased assets

Leases under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(xi) Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest group of identifiable assets that generates cash inflows that are largely independent from the cash inflows from other assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of any goodwill allocated to the other assets in the unit (consolidated entity of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(xii) Employee Benefits

Wages and salaries, annual leave, sick leave and long service leave

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and is capable of being measured reliably.

Provisions made in respect of wages and salaries and annual leave expected to be settled within 12 months are measured at their nominal values based on expected rates of pay. The provision for long service leave is measured as at present value of the estimated future cash flows.

(xii) Employee Benefits (cont'd)

Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

The Company operates an incentive scheme to provide these benefits, known as the Capitol Health Limited Incentive Option Scheme ("Scheme") approved at the general meeting on 30 December 2005.

The cost of these share-based payment transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial or Black-Sholes model.

In valuing share-based payment transactions, no account is taken of any non-market performance conditions.

The cost of share-based payment transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(xiii) Revenue

Revenues are recognised at fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the taxation authority. Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future benefits will flow to the Group and any criteria to be met for revenue recognition have been fulfilled.

Services

Revenue is recognised when the diagnostic imaging or dental service is rendered.

Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

(xiv) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognisable for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(xiv) Income tax (cont'd)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated entity. As a consequence, all members of the tax-consolidated entity are taxed as a single entity. The head entity within the tax-consolidated entity is Capitol Health Limited.

Current tax expense/ income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated entity are recognised in the separate financial statements of the members of the tax-consolidated entity using the 'separate taxpayer within consolidated entity' approach by reference to the carrying amount of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated entity. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated entity to the extent that it is probable that future taxable profits of the tax-consolidated entity will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Tax funding arrangements

The head entity, in conjunction with other members of the tax-consolidated entity, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated entity in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/ (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant authorities.

(xv) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(xvi) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For any non-current assets written down to recoverable amount, an impairment loss is recognised in the income statement. Non-current assets held for sale are not depreciated or amortised while they are classified as held-for-sale.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period, and current year results presented separately on the face of the income statement.

(xvii) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share used is calculated by adjusting basic earnings for the impact of the after tax effect of costs associated with dilutive ordinary shares and the weighted average number of additional ordinary shares that would be outstanding assuming the conversion of all dilutive potential ordinary shares.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xviii) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of business combination is based on market values. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Borrowings

The fair value of borrowings is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The fair value of incentive options is measured using the Black-Sholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(xix) New accounting standards and interpretations

New standards and interpretations issued but not yet effective

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 2009-5	*Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136, 139]*	Amends a number of standards as a result of the annual improvements project.	1 January 2010	No material impact
AASB 2009-8	*Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]*	Amends AASB 2 *Share-based Payment* and supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*. The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.	1 January 2010	No material impact
AASB 9	*Financial Instruments*	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	No material impact
Interpretation 19	*Extinguishing Financial Liabilities with Equity Instruments*	This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address the accounting by the creditor.	1 July 2010	No material impact
AASB 124	*Related Party Disclosures*	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition	1 January 2011	Disclosure only
2009-9	*Amendments to Australian Accounting Standards – Additional Exemptions for first-time adopters*	Amends AASB 1 regarding retrospective application of certain standards for first-time adopters of IFRS	1 January 2010	No material impact
2009-10	*Amendments to Australian Accounting Standards – Classification of Rights Issues*	Amends AASB 132 to clarify the requirements for classification of rights, options and warrants.	1 February 2010	No material impact
2009-11	*Amendments to Australian Accounting Standards arising from AASB 9*	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12 as a result of the issuance of AASB 9.	1 January 2013	No material impact
2009-12	*Amendments to Australian Accounting Standards*	Amends AASB 8 Operating Segments as a result of the revised AASB 124. Amends AASB 5, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052 as a result of the annual improvement project.	1 January 2011	No material impact
2009-13	*Amendments to Australian Accounting Standards arising from Interpretation 19*	Amends AASB 1 due to the issuance of Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments.	1 July 2010	No material impact
2009-14	*Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement*	Amends Interpretation 14 AASB 119 – The limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.	1 January 2011	No material impact

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
2010-1	*Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7Disclosures from First-time Adopters*	Amends AASB 1 *First-time Adoption of Australian Accounting Standards;* and AASB 7 *Financial Instruments: Disclosures.* Principally give effect to extending transitional provisions of AASB 2009-2.	1 July 2010	No material impact
AASB 1053	*Application of Tiers of Australian Accounting Standards*	This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	No material impact
2010-2	*Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements and amends AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052.	1 July 2013	No material impact
2010-3	*Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	Amends AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139 as a result of the annual improvements project.	1 July 2010	No material impact
2010-4	*Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	Further amends AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13 as a result of the annual improvements project.	1 January 2010	No material impact

(xx) Going Concern

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

At 30 June 2010, the Company and the consolidated entity had a net working capital deficiency of $100,990 and $4,063,545 respectively. However an operating profit of $359,657 and $705,232 respectively was achieved. The consolidated entity had positive operating cash inflows of $2,844,676 (2009: outflow $1,619,405) within the period of this financial report.

These factors may indicate a significant uncertainty as to whether the Company and the consolidated entity will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe there are reasonable grounds to believe that the Company and the consolidated entity will be able to continue as going concerns after consideration of the following factors:

- A successful capital raising occurred within the period which has an attached option conversion in April 2012 that is considered to be a secure and additional cash injection in that period;
- Cash reserves in place at the date of this report
- Cash flow forecasts for the year ended 30 June 2011 indicate strong cash to be generated from operations driven by the changes in Medicare rebates, the acquisition of 4 centres announced in August 2010 and organic growth;
- The Directors remain committed to the long-term business plan that has now resulted in the Group becoming profitable and cash flow positive;
- Ongoing sales, marketing and IT efficiency initiatives are being undertaken, the results of which are having a positive impact on the Group; and
- The continued support of the bank.

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

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

2. FINANCIAL RISK MANAGEMENT

Overview

The Company and the Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included in Note 21.

The Company's risk management framework is supported by the Board, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's and Group's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee is responsible for identifying, monitoring and managing significant business risks faced by the Company and Group and considering the effectiveness of its internal control system. Management and the Audit and Risk Committee report to the Board.

The Board has established an overall Risk Management Policy which sets out the Company's and Group's system of risk oversight, management of material business risks and internal control.

Financial risk management objectives

The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables and cash and cash equivalents. For the Company it arises from receivables due from controlled entities.

The Group does not hold any credit derivatives to offset its credit exposure.

Trade and other receivables

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Purchase limits are set for each individual customer in accordance with parameters set by the Board. These purchase limits are regularly monitored.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

The Group reviews trade and other receivables regularly to estimate incurred losses and establish an allowance for impairment, if required.

Liquidity risk

Liquidity risk is the risk that the Company and the Group are unable to meet their as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

2. FINANCIAL RISK MANAGEMENT (cont'd)

Interest rate risk

The Group's exposure to interest rates primarily relates to the Group's long-term debt obligations. Fixed interest borrowings expose the Group to fair value interest rate risk, and variable rate borrowings expose the Group to cash flow interest rate risk.

The Directors manage these risks by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates. The Group does not hedge against these risks.

Capital management

When managing capital, the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board are constantly adjusting the capital structure to take advantage of favourable costs of capital or high return on assets. As the market is constantly changing, management may issue new shares, sell assets to reduce debt or consider payment of dividends to shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels. The Group had loans and borrowings of $8,572,299 at 30 June 2010 (2009: $5,868,913).

There were no changes in the Group's approach to capital management during the year, nor is the Group subject to any externally imposed capital requirements.

	2010 $	2009 $
3. REVENUE		
Services	**35,358,068**	**28,284,354**

4. OTHER INCOME

Forgiveness of vendor liabilities	-	917,826
Government grants	-	297,000
Interest income	2,766	26,842
Miscellaneous	47,036	-
	49,802	**1,241,668**

5. OTHER EXPENSES

Corporate and administrative expenses	3,092,585	2,522,200
Restatement of Vendor Liabilities (Notes 26, 28)	83,000	-
	3,175,585	**2,522,200**

6. EMPLOYEE BENEFITS EXPENSE

Wages and salaries expenses	18,531,834	16,133,238
Other associated personnel expenses	864,123	708,836
Defined contribution superannuation expenses	1,032,071	1,094,267
Increase in liability for annual and long service leave	161,524	111,097
Non-executive directors' fees	60,625	130,000
	20,650,177	**18,177,438**

7. AUDITORS' REMUNERATION

	2010 $	2009 $
Audit services:		
Auditors' of the Company (RSM Bird Cameron Partners Pty Ltd)		
- audit and review of financial reports	48,000	-
BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd		
- audit and review of financial reports	105,707	73,426
	153,707	**73,426**

8. INCOME TAX

(a) Income tax expense/(benefit)

The major components of income tax expense/(benefit) are:

	2010 $	2009 $
Current income tax		
Current income tax charge	-	-
Deferred income tax		
Adjustments relating to the origination and reversal of timing differences	(82,615)	(17,015)
Prior year overprovision	-	17,237
Recognition of carried forward tax losses	-	(269,177)
Utilisation of carried forward tax losses	5,264	-
Income tax expense/(benefit) reported in the statement of comprehensive income	**(77,351)**	**(268,955)**

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2010 $	2009 $
Accounting profit/(loss) before tax from continuing operations	627,881	(1,589,847)
Profit/(loss) before tax from discontinued operations	-	302,674
Total accounting profit/(loss) before income tax	**627,881**	**(1,287,173)**
At the Group's statutory income tax rate of 30% (2009: 30%)	188,364	(386,152)
Tax effect on amounts which are not tax deductible:		
- Impairment loss on goodwill	-	568,389
- Income not assessable	-	(364,448)
- Sundry amounts	(265,715)	(103,981)
Prior year overprovision	-	17,237
Aggregate income tax expense/(benefit)	**(77,351)**	**(268,955)**

Aggregate income tax expense/(benefit) is attributable to:

	2010 $	2009 $
Continuing operations	(77,351)	(268,955)
Discontinued operations	-	-
	(77,351)	**(268,955)**

8. INCOME TAX (cont'd)

(c) Recognised deferred tax assets and liabilities

	2010 $	2009 $
Deferred tax assets		
- Employee benefits provision	1,812,860	1,267,732
- Accrued expenses	79,790	212,599
- Finance leases	(123,586)	13,349
	1,769,064	1,493,680
Deferred tax asset at 30%	**530,719**	**448,104**
Recognised deferred tax asset		
Deferred tax assets on temporary differences	530,719	448,104
Deferred tax asset recognised for unused tax losses	263,913	269,177
	794,632	**717,281**

(d) Unrecognised temporary differences

At 30 June 2010 there are no unrecognised temporary differences.

(e) Tax losses

The Group had brought forward tax losses which were incurred in 2009 of $897,257 for which a deferred tax asset was recognised as shown above of $269,177. Tax losses of $17,548 were applied against taxable income in 2010 leaving carried forward tax losses at 30 June 2010 being $879,709.

In addition the Group has carried forward capital losses of $271,630 which were incurred during 2009. A deferred tax asset was not recognised for the loss.

Both revenue losses and capital losses are expected to be available to offset against future income subject to the Group continuing to meet statutory tests.

(f) Tax consolidation

Capitol Health Limited and its 100% owned subsidiaries formed a tax consolidated entity effective the year commencing 1 July 2005. Capitol Health Limited is the Head Entity of the tax consolidated entity. The Head Entity recognises the current and deferred tax amounts of the subsidiaries of the tax consolidated entity. Consistent with Interpretation 1052 Tax Consolidation Accounting a tax funding agreement is in place between members of the Group under which payments to/from the head company are recognised via an intercompany loan which is at call.

9. CASH AND CASH EQUIVALENTS

	2009 $	2009 $
Cash at bank	**679,740**	**197,304**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 21.

10. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	800,939	824,541
Other receivables	439,989	145,241
	1,240,928	**969,782**

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 21.

11. OTHER ASSETS

Current		
Prepayments	194,666	80,853
Bonds	141,622	130,616
	336,288	**211,469**

12. PROPERTY, PLANT & EQUIPMENT

	Plant & equipment	Office furniture & equipment	Leasehold improvements	Motor vehicles	Total
At 1 July 2009	3,498,640	677,162	855,368	10,643	5,041,813
Additions	2,710,093	2,263,353	579,866	53,761	5,607,073
Disposals	(158,840)	-	-	(3,631)	(162,471)
Depreciation charge for the year	(1,078,096)	(249,720)	(173,701)	(13,086)	(1,514,603)
At 30 June 2010, net of accumulated depreciation	**4,971,797**	**2,690,795**	**1,261,533**	**47,687**	**8,971,812**
At 30 June 2010					
Cost	13,385,872	3,149,896	2,041,475	127,130	18,704,373
Accumulated depreciation	(8,414,075)	(459,101)	(779,942)	(79,443)	(9,732,561)
Net carrying amount	**4,971,797**	**2,690,795**	**1,261,533**	**47,687**	**8,971,812**
At 1 July 2008	3,179,737	147,155	551,583	27,150	3,905,625
Additions	1,420,098	648,695	451,613	-	2,520,406
Disposals	(58,148)	-	-	-	(58,148)
Depreciation charge for the year	(1,043,047)	(118,688)	(147,828)	(16,507)	(1,326,070)
At 30 June 2009, net of accumulated depreciation	**3,498,640**	**677,162**	**855,368**	**10,643**	**5,041,813**
At 30 June 2009					
Cost	10,834,619	886,543	1,461,609	77,000	13,259,771
Accumulated depreciation	(7,335,979)	(209,381)	(606,241)	(66,357)	(8,217,958)
Net carrying amount	**3,498,640**	**677,162**	**855,368**	**10,643**	**5,041,813**

13. INTANGIBLES	**2010 $**	**2009 $**
Goodwill arising through business combinations:		
At cost	20,161,294	22,055,926
Less: Impairment loss	-	(1,894,632)
	20,161,294	**20,161,294**

Impairment testing for cash-generating units containing goodwill

After a review of the integration of all acquisition and organically created operating facilities and assets into a single organisation adopting common infrastructure, policies, procedures and in conjunction with the free movement of staff and equipment between those facilities, the Directors consider that for accounting purposes under AASB 136 that a single cash generating unit exists for the purposes of the testing ,validation and any potential impairment charge applicable to the goodwill valuation carried in the accounts of the Group.

Impairment testing was based on value in use calculations for the total operating entity. The discount rate to determine recoverable amount at 30 June 2010 for the total operating entity is 13%. The discount rate is pre-tax and is adjusted to incorporate rates associated with the segment. Discounted cash flows for the total operating entity has been estimated based on past performance, and increased by expected growth in revenue and expenditure rates for a period of 5 years. A terminal value has been calculated based on no growth and included in the recoverable amount as management believe that the imaging diagnostics services will still be delivered well beyond 5 years. Head office and parent entity administration costs have been included at estimated cost growth less efficiency gains for the period. If any of the assumptions above were to significantly alter in a negative manner then this may result in an impairment loss in the reported amount of goodwill for the Group.

14. TRADE AND OTHER PAYABLES

	2010 $	2009 $
Trade creditors	1,780,721	1,530,515
Other creditors and accruals	989,182	698,880
Liability for annual leave	976,835	777,822
	3,746,738	**3,007,217**

15. EMPLOYEE PROVISIONS

	2010 $	2009 $
Current		
Provision for long service leave	**394,977**	**230,133**
Non Current		
Provision for long service leave	**214,825**	**259,777**

16. SHARE BASED PAYMENTS

The Company operates an incentive scheme known as the Capitol Health Incentive Option Scheme ("Scheme") approved at the general meeting on 30 December 2005.

The maximum number of options that can be granted under the Scheme is determined by the Board in its discretion and in accordance with the Scheme and applicable law. There is no issue price for any options granted under the Scheme.

Each option is convertible to one ordinary share. The exercise price of the options is determined by the Board in its absolute discretion, subject to any minimum price specified in the Listing Rules of the ASX.

There are no voting or dividend rights attaching to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

All options expire on the earlier of their expiry date or 30 days after the termination of the individual's employment. The vesting terms of the options are as follows:

Portion	Vesting date
50%	12 months (26 September 2007)
50%	24 months (26 September 2008)

The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. The following table gives the assumptions made in determining the fair value of options on grant date:

Fair value at measurement date	$0.026
Share price	$0.20
Exercise price	$0.25
Expected volatility	25.00%
Option life	4 years
Expected dividends	0.00%
Risk-free interest rate	5.63%
Non listed status discount	35.00%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

During the year ended 30 June 2010 there were no options exercised (2009: nil).

The number and weighted average exercise prices ("WAEP") of options are as follows:

	2010 Number	2010 WAEP	2009 Number	2009 WAEP
Outstanding at the beginning and end of the year	**250,000**	**$0.25**	**250,000**	**$0.25**

17. LOANS AND BORROWINGS

This note provides information about the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risk, see note 21.

	2010 $	2009 $
Current		
Finance lease liabilities	-	10,956
Secured bank loan	437,500	437,500
Secured equipment finance facilities	1,523,286	863,675
Unsecured loans	218,000	139,234
	2,178,786	**1,451,365**
Non Current		
Secured bank loan	2,383,614	2,502,103
Secured equipment finance facilities	4,009,899	1,915,445
	6,393,513	**4,417,548**

17. LOANS AND BORROWINGS (cont'd)

Terms of loans and borrowings

Secured bank loan and associated facilities

Capitol Radiology Pty Ltd ("Capitol Radiology") entered into a loan facility agreement for the purposes of assisting the purchase of the South East Medical Imaging and Bell Imaging. The term of these loan facilities is 10 years, principal and interest reducing with no redraw facility, entered into in June 2008.

Capitol Radiology entered into a loan facility agreement for the purposes of assisting the payout of existing finance leases as part of the transfer of banking facilities. The term of this loan facility is 10 years, converted to principal and interest reducing in January 2009 (originally entered into in June 2008), with no redraw facility.

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 terms is 10 years, principal and interest reducing, entered into in September 2009, with no redraw facility.

Capital Radiology has a $100,000 overdraft facility and a $196,000 rental guarantee facility.

Facilities are with the Commonwealth Bank of Australia ("CBA") and are secured by:

(a) A first registered company charge by Capitol Radiology over the whole of its assets and undertakings including uncalled capital; and

(b) A guarantee unlimited as to the amount by Capitol Health Limited supported by a first registered company charge by Capitol Health Limited over the whole of its assets and undertakings.

These facilities bear interest at the CBA bank bill rate plus a margin of 1.8% per annum.

Utilisation of secured facilities

	At 30 June 2010			At 30 June 2009		
	Facility	**Utilised**	**Available**	**Facility**	**Utilised**	**Available**
Secured bank loan	2,821,114	2,821,114	-	2,939,603	2,939,603	-
Overdraft	100,000	-	100,000	100,000	-	100,000
Credit card	-	-	-	100,000	-	100,000
Rental guarantee	196,000	173,374	22,626	449,000	449,000	-
	3,117,114	**2,994,488**	**122,626**	**3,588,603**	**3,388,603**	**200,000**

Secured equipment finance facilities

Capitol Radiology entered into agreements for the purchase of assets during the financial year. These facilities bear interest at between 7.720% and 9.645% per annum.

Unsecured loans

The unsecured loans to external entities do not bear interest.

The unsecured loans within the consolidated entity from and as 30 June 2010 bear an annual interest charge equal to the current CBA bank bill rate applicable to the secured ban loan applied to the year end closing balance.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

	Minimum lease payments $	Interest $	Principal $
At 30 June 2010			
Less than one year	**-**	**-**	**-**
At 30 June 2009			
Less than one year	**10,992**	**25**	**10,956**

18. ISSUED CAPITAL

	2010 $	2009 $
Issued capital		
303,726,809 (2009: 278,416,241) fully paid ordinary shares	**20,541,091**	**19,654,326**

The following movements in issued capital occurred during the year:

	2010 Number of Shares	2009 Number of Shares	2010 $	2009 $
Balance at the beginning of the year	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 year	**303,726,809**	**278,416,241**	**20,541,091**	**19,654,326**

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 at 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
Incentive Options	26 September 2010	$0.25	250,000
Listed Options	30 April 2012	$0.05	25,310,568

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

19. RESERVES

	2010 $	2009 $
Reserves		
Share- based payments reserve		
Balance at the beginning of the year	6,109	6,109
Balance at the end of the year	6,109	6,109
Option premium reserve		
Balance at the beginning of the year	164,500	164,500
Expiry of Unlisted Options as at 31 March 2010	(164,500)	-
Balance at the end of the year	-	164,500
Reserves at the end of the year	**6,109**	**170,609**

19. RESERVES (cont'd)

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 16 for further details of share-based payments.

Option premium reserve

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

20. ACCUMULATED LOSSES

Accumulated losses at the beginning of the year	(2,161,077)	(1,142,859)
Profit/ (loss) for the year	705,232	(1,018,218)
Expiry of share options – transfer from reserves	164,500	-
Accumulated losses at the end of the year	**(1,291,345)**	**(2,161,077)**

21. FINANCIAL INSTRUMENTS DISCLOSURE

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2010 $	**2009 $**
Cash and cash equivalents	679,740	197,304
Trade and other receivables	1,240,928	969,762
Other financial assets	141,622	130,616
	2,062,290	**1,297,682**

The Group's maximum exposure to credit risk for trade receivables at reporting date by geographic region was:

	Carrying Amount	
	2010 $	**2009 $**
Victoria	**800,939**	**824,541**

Impairment losses

The aging of the Group's trade receivables at reporting date was:

	Gross 2010 $	**Impairment 2010 $**	**Gross 2009 $**	**Impairment 2009 $**
Not past due	-	-	-	-
Past due 0-30 days	426,589	-	669,364	-
Past due 31-120 days	233,447	-	101,683	-
Past due 121 days to one year	140,903	-	51,844	-
More than one year	-	-	1,650	-
	800,939	**-**	**824,541**	**-**

There was no allowance made for impairment in respect of trade receivables during the year (2009: nil).

At 30 June 2010 the Group does not have any collective impairment on its trade receivables (2009: nil).

21. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

30 June 2010	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Secured bank loans	2,821,114	(2,821,114)	(497,844)	(1,308,046)	(1,015,224)
Finance lease and hire purchase	-	-	-	-	-
Secured equipment finance	5,533,185	(7,243,778)	(1,775,106)	(4,432,176)	(1,036,496)
Unsecured loans	218,000	(218,000)	(218,000)	-	-
Trade and other payables	3,746,738	(3,746,738)	(3,746,738)	-	-
	12,319,037	(14,029,630)	(6,237,688)	(5,740,222)	(2,051,720)

30 June 2009	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Secured bank loans	2,939,603	(3,099,223)	(461,256)	(2,306,281)	(331,686)
Finance lease and hire purchase	10,956	(10,956)	(10,956)	-	-
Secured equipment finance	2,779,030	(3,041,647)	(945,291)	(2,096,356)	-
Unsecured loans	139,324	(139,324)	(139,324)	-	-
Trade and other payables	3,276,262	(3,276,262)	(3,276,262)	-	-
	9,145,175	**(9,567,412)**	**(4,833,089)**	**(4,402,637)**	**(331,686)**

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Carrying Amount	
	2010	**2009**
	$	**$**
Fixed rate instruments		
Financial liabilities	**(5,533,185)**	**(2,789,986)**
Variable rate instruments		
Financial assets	679,740	197,304
Financial liabilities	(2,821,114)	(2,939,603)
	(2,141,374)	**(2,742,299)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The reasonable change has been calculated on the basis of historical changes in interest rates. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as was for the prior financial period.

	Profit or loss		Equity	
30 June 2010	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Variable rate instruments	**(21,414)**	**21,414**	**(21,414)**	**21,414**
30 June 2009				
Variable rate instruments	**(27,423)**	**27,423**	**(27,423)**	**27,423**

The disclosure is shown before the application of any tax effect.

21. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Fair value of financial instruments

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

22. COMMITMENTS

	2010 $	2009 $
Future operating lease rentals not provided for in the financial statements and payable:		
Property and facility operating lease commitments		
Within one year	1,960,749	1,881,244
One year or later and no later than five years	3,176,702	4,662,091
	5,137,451	**6,543,335**

The Group leases properties and facilities under operating leases. The leases typically run for a period of 3 to 5 years, with an option to renew after that date.

	2010 $	2009 $
Property and equipment operating lease commitments		
Within one year	2,324,649	2,126,339
One year or later and no later than five years	4,506,136	5,281,460
More than five years	10,687	141,999
	6,841,472	**7,549,798**

The Group leases plant and equipment under operating leases. The leases typically run for a period of 3 to 10 years and are not renewed after that date.

During the year ended 30 June 2010 $4,550,759 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2009: $3,987,244).

23. EARNINGS PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings per share at 30 June 2010 was based on the profit attributable to ordinary shareholders of $705,232 (2009: loss of $1,018,218) and a weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares of 310,009,739 (2009: 298,666,241) calculated using the following data:

Profit/ (loss) attributable to ordinary shareholders	Continuing operations $	Discontinued operations $	Total $
For the period ending 30 June 2010	**705,232**	**-**	**705,232**
For the period ending 30 June 2009	**(1,320,892)**	**302,674**	**(1,018,218)**

Weighted average number of ordinary shares	Number 2010	Number 2009
Issued ordinary shares at 1 July	278,416,241	278,416,241
Effect of shares issued on 17 November 2009	15,671,749	-
	294,087,990	**278,416,241**

23. EARNINGS PER SHARE (cont'd)

Diluted earnings per share

Diluted earnings/(loss) per share is based on a profit for the year of $705,232 (2009: loss of $1,018,218) and a weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares of 310,009,739 (2009: 298,666,241), calculated using the following data:

Weighted average number of ordinary shares	Number 2010	Number 2009
Issued ordinary shares at 1 July	278,416,241	278,416,241
Effect of shares issued on 17 November 2009	15,671,749	-
Effect of share options on issue	15,921,749	20,250,000
	310,009,739	**298,666,241**

24. CONTROLLED ENTITIES

	Country of Incorporation	Entity interest 2009	Entity interest 2008
Parent entity			
Capitol Health Limited	Australia	-	-
Controlled entity			
CHL Operations Pty Ltd	Australia	100%	100%
Capital Radiology 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. All acquired entities relating to diagnostic imaging in Melbourne are subsidiaries of Capitol Radiology Pty Ltd, but none are significant individually to the Group.

25. DISCONTINUED OPERATIONS

During the prior financial year, the Group completed the divestment of the Group's dental operations segment. Management committed to a plan to sell this segment in November 2007 due to a strategic decision to place greater focus on the Group's key competencies, being the diagnostic imaging operations.

	Note	2010 $	2009 $
Results of discontinued operations			
Revenue		-	25,490
Expenses		-	77,184
Profit / (loss) before tax		-	102,674
Income tax		-	-
Profit / (loss) after tax		-	102,674
Net gain on sale of discontinued operations		-	200,000
Net profit/ (loss) for the year		**-**	**302,674**
Basic earnings/ (loss) per share (cents)	23	**-**	**0.1000**
Cash flow (used in) / from discontinued operations			
Net cash from operating activities		-	13,318
Net cash from investing activities		-	200,000
Net cash (used in) / from discontinued operations		**-**	**213,318**

26. RELATED PARTIES

Key management personnel remuneration

	2010 $	2009 $
Short-term employee benefits	387,481	472,657
Post-employment benefits	32,986	36,811
Long-term employee benefits	26,022	363
	446,489	**509,831**

Individual key management personnel compensation disclosures

Information regarding individual key management personnel compensation as required by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report on pages 9 to 11.

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

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

Director	Transaction	Note	Transactions value year ended 30 June 2010 $	Transactions value year ended 30 June 2009 $	Balance outstanding as at 30 June 2010 $	Balance outstanding as at 30 June 2009 $
Mr J Conidi	Rent expenses	(i)	20,833	69,800	-	-
	Forgiveness of vendor liabilities	(ii)	83,000	(142,261)	113,000	30,000

Notes in relation to the table of related party transactions

(i) A company associated with Mr Conidi provided commercial premises to the Group. Terms for such accommodation were based on market rates, and amounts were payable on a monthly basis.

(ii) A company associated with Mr Conidi had vendor liabilities outstanding relating to a prior year business combination. During the current and prior financial year, the provision for vendor liabilities was restated as assets were realised and liabilities extinguished that related to this business combination.

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Capitol Health Limited held, directly, indirectly or beneficially by each key management person, including their related entities, is as follows:

	Held at 1 July 2009	Issued	Exercised	Other changes	Held at 30 June 2010	Vested at 30 June 2010	Vested and exercisable at 30 June 2010
Directors							
Mr J Conidi	-	3,232,883	-	-	3,232,883	3,232,883	3,232,883
Mr D Kucera	-	453,216	-	-	453,216	453,216	453,216
Mr A Harrison	5,000,000	-	-	(5,000,000)	-	-	-
Mr S Sewell	-	-	-	-	-	-	-

26. RELATED PARTIES (cont'd)

Options and rights over equity instruments (cont'd)

	Held at 1 July 2008	Issued	Exercised	Other changes	Held at 30 June 2009	Vested at 30 June 2009	Vested and exercisable at 30 June 2009
Directors							
Mr J Conidi	-	-	-	-	-	-	-
Mr D Kucera	-	-	-	-	-	-	-
Mr A Harrison	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000
Mr S Sewell	-	-	-	-	-	-	-
Mr A Ho *	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000

* Mr A Ho resigned as Director on 7 July 2008.

No options held by key management personnel are vested but not exercisable at 30 June 2008 or 2009.

Movements in shares

The movement during the reporting period in the number of ordinary shares in Capitol Health Limited held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 July 2009	Purchases	Received on exercise of options	Other changes	Held at 30 June 2010
Directors					
Mr J Conidi	26,576,332	3,232,883	-	-	29,809,215
Mr D Kucera	500,000	453,216	-	-	953,216
Mr A Harrison	13,400,001	-	-	-	13,400,001
Mr S Sewell	100,000	-	-	-	100,000

	Held at 1 July 2008	Held at date of appointment	Purchases	Received on exercise of options	Other changes	Held at date of resignation	Held at 30 June 2009
Directors							
Mr J Conidi	26,546,332	N/A	30,000	-	-	N/A	26,576,332
Mr D Kucera	N/A	-	500,000	-	-	N/A	500,000
Mr A Harrison	13,400,001	N/A	-	-	-	N/A	13,400,001
Mr A Ho	1,000,000	N/A	-	-	-	1,000,000	N/A
Mr S Sewell	100,000	N/A	-	-	-	N/A	100,000

No shares were granted to key management personnel during the reporting period as compensation in 2010 or 2009.

Non-key management personnel disclosures

Loans are made by the Company to its wholly owned subsidiary for capital purchases and working capital purposes. The loans outstanding between the Company and its subsidiary have no fixed date of repayment and are interest-bearing from 30 June 2010 and are set out in Note 17. Details of the Company's interest in its subsidiaries are set out in Note 24.

26. RELATED PARTIES (cont'd)

Aggregate amounts receivable from a controlled entity

	Company	
	2010	**2009**
	$	**$**
Non-current		
Unsecured loans to controlled entity	**16,628,178**	**16,562,190**

No dividends were received from the subsidiary in the 2010 or 2009 financial year.

Transactions between the entities comprised payment of operating expenses by Capital Radiology Pty Ltd incurred by the parent entity and were treated as repayment of the intercompany loan between the two entities.

Balances due as disclosed in this Note represent a creditor in the accounts of Capital Radiology Pty Ltd and a debtor in the accounts of the parent entity.

Loan amounts advanced from the Company to Capital Radiology Pty Ltd in 2010 amounted to $885,000 (2009: nil).

An interest charge was recorded from Capital Radiology Pty Ltd to the Company during the period of $1,010,397 (2009: nil).

Loan repayments received from Capital Radiology Pty Ltd during the period were $1,124,131 (2009: $1,534,813).

There is no provision for impairment of the loan between the two entities as it is considered that the amount will be repaid.

27. SEGMENT INFORMATION

Business segments

The Group comprises the following main business segments:

- *Diagnostic imaging (continuing) operations:* The acquisition and operation of diagnostic imaging businesses and facilities. The Directors have reviewed AASB 8 Operating Segments and have determined that the nature of products and services offered, the geographic location, the singular nature of the majority customer and the internal reporting are consistent with the reporting of the continuing operations as a single segment.
- *Dental (discontinued 2009) operations:* The acquisition of dental surgeries and facilities and the provision of administration and management services to those surgeries. The Directors have reviewed AASB 8 Operating Segments and have determined that the nature of products and services offered, the geographic location, the immaterial nature of any individual customer and the internal reporting are consistent with the reporting of the discontinued operations as a single segment.

Geographic segments

The dental operations segment operates from Perth, Western Australia. The diagnostic imaging segment operates from Melbourne, Victoria. In August 2008 the Group completed the divestment of the Group's dental operations segment.

	Diagnostic Imaging (continuing) operations		Dental (discontinued) operations		Consolidated	
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $
Revenue						
Segment revenue	35,358,068	29,499,852	-	25,490	35,358,068	29,525,342
Unallocated revenue					49,802	680
Consolidated total revenue					35,407,870	29,526,022
Result						
Segment result	1,355,972	146,389	-	302,674	1,355,972	449,063
Unallocated corporate expenses					(650,740)	(1,467,281)
Consolidated total result					705,232	(1,018,218)
Depreciation and amortisation						
Depreciation and amortisation	1,500,208	1,294,574	-	4,191	1,500,208	1,298,765
Impairment	-	1,894,632	-	-	-	1,894,632
Unallocated corporate expenses					14,395	27,305
Consolidated total depreciation and amortisation					1,514,603	3,220,702
Assets						
Segment assets	31,376,612	27,262,723	-	-	31,376,612	27,262,723
Unallocated corporate assets					808,082	36,220
Consolidated total assets					**32,184,694**	**27,298,943**
Liabilities						
Segment liabilities	12,821,243	9,118,917	-	-	12,821,243	9,118,917
Unallocated liabilities					107,596	516,168
Consolidated total liabilities					**12,928,839**	**9,635,085**

27. SEGMENT INFORMATION (cont'd)

The revenue reported represents only revenue generated from external customers. An inter-segment interest charge from a controlled entity to the parent entity of $1,010,397 (2009: $nil) was eliminated on consolidation and is excluded from the segment revenue displayed above.

Segment result represents the profit or loss incurred by each segment without allocation of central administration and overhead expenses and elimination of inter-segment transactions. An inter-segment interest charge of $1,010,397 (2009: $nil) from a controlled entity to the parent entity during the period is excluded from the segment result displayed above.

28. RECONCILIATION OF CASH FLOWS PROVIDED BY/ (USED IN) OPERATING ACTIVITIES

	2010 $	2009 $
Cash flows from operating activities		
Profit/(loss) for the year	705,232	(1,018,218)
Adjustments for:		
Depreciation	1,514,603	1,326,070
Impairment of goodwill	-	1,894,632
Restatement/(forgiveness) of vendor liabilities	83,000	(917,816)
Net gain /(loss) on sale of assets	(120,199)	(285,165)
Income tax expense	(77,351)	(268,955)
Operating profit/(loss) before changes in working capital and provisions	**2,105,285**	**730,538**
Change in trade and other receivables	(271,146)	88,870
Change in other assets	(124,819)	(10,127)
Change in trade and other payables	1,085,496	699,027
Change in provisions and employee benefits	49,860	111,097
Net cash provided by/ (used in) operating activities	**2,844,676**	**1,619,405**

29. PARENT ENTITY DISCLOSURES

(a) Financial information

	2010 $	2009 $
Profit/(loss) for the year	359,657	(1,467,281)
Total comprehensive income/(loss) for the year	359,657	(1,467,281)
Current assets	6,606	2,979
Total assets	17,436,260	16,598,410
Current liabilities	107,596	516,168
Total liabilities	107,596	516,168
Shareholders Equity		
Issued capital	20,541,091	19,654,326
Reserves	6,109	170,609
Accumulated losses	(3,218,536)	(3,742,693)
Total Equity	**17,328,664**	**16,082,242**

The profit/(loss) and comprehensive income/(loss) figures above for 2010 include an intercompany interest charge received from a controlled entity to the value of $1,010,397 (2009: $nil).

(b) Guarantees

Cross guarantees have been provided by the Company and its controlled entities as listed in note 24. The fair value of the cross guarantees has been assessed as $nil based on the underlying performance of the entities in the closed group.

The parent entity has provided financial guarantees in respect of bank overdrafts, finance leases and loans of the subsidiaries amounting to $7,764,732 (2009: $9,592,814), secured by a first registered charge over the assets of the entity.

29. PARENT ENTITY DISCLOSURES (cont'd)

(c) Other commitments

The Company has commitments to acquire plant and equipment amounting to $28,104 (2009: $78,343) and has no contingent liabilities.

(d) Loans

Loans to subsidiaries are neither past due nor impaired.

30. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date the following events have occurred in relation to the Group:

Acquisitions

Radiology clinics in Wallan and Broadford from Reflective Imaging Pty Ltd for a total consideration of $135,000 paid in instalments over 12 months (July 2010).

Radiology clinics in Footscray and Werribee from MDI Radiology Pty Ltd for a total consideration of $400,000 paid in instalments over 12 months plus leave entitlements for all transferring employees from those facilities (August 2010).

Organic growth facilities

Implementation of new facilities at Rowville (2 separate sites) and Glenroy (from August 2010)

Contract expiry and re-activation of dormant facility

The arrangement with Western Health to operate a general public and private diagnostic imaging facility at Williamstown Hospital will cease by 5 February 2011, with the Hospital offering services for In-patients only from that date. A dormant facility at Williamstown will be reactivated to provide replacement services to private referrers.

DIRECTORS' DECLARATION

In the opinion of the Directors of Capitol Health Limited:

(a) the financial statements and notes thereto and the Remuneration Report contained in the Directors' Report, set out on pages 9 to 11, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2010 and their performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards;

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

The Directors have been given the declarations required by Section 295A of the Corporations Act for the financial year ending 30 June 2010.

Signed in accordance with a resolution of the directors.

____
John Conidi
Managing Director

Dated at Melbourne, Victoria this 29th day of September 2010.

RSM Bird Cameron Partners
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

CAPITOL HEALTH LIMITED

We have audited the accompanying financial report of Capitol Health Limited, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 control relevant to the preparation and fair presentation of the 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 an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RSM Bird Cameron Partners
Chartered Accountants

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Capitol Health Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(xx) in the financial report which indicates that the company's and consolidated entity's current liabilities exceeded its total assets by $100,990 and $4,063,645 respectively at 30 June 2010. This condition, along with other matters as set forth in Note 1 (xx), indicate the existence of a material uncertainty which may cast significant doubt about the company's and consolidated entity's ability to continue as a going concern and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 11 of the directors' report for the financial year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Capitol Health Limited for the financial year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

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R B MIANO
Partner

Melbourne
30 September 2010

Details of shares and options as at 29 September 2010:

Top holders

The 20 largest holders of each class of equity security as at 29 September 2010 were:

Fully paid ordinary shares

	Name	No. of Shares	%
1.	Peter Hunt & Jeanette Hunt <Hunt Super Fund A/C>	31,949,072	10.52
2.	Idinoc Pty Ltd <J & R Conidi Family A/C>	26,241,461	8.64
3.	Monaco Bond Pty Ltd <Mobilio Family A/C>	25,408,656	8.37
4.	Nick Conidi Pty Ltd <Conidi Family A/C>	23,246,435	7.65
5.	Ms Stella Ha	17,734,752	5.84
6.	Gia Chau Pty Ltd	17,392,889	5.73
7.	Harry Kaplan Pty Ltd <H & C Kaplan Family A/C>	17,157,600	5.65
8.	Relentless Corporation Pty Ltd <Sun Tzu A/C>	13,400,000	4.41
9.	Yarra Braes Pty Ltd <Yarra Braes A/C>	7,109,280	2.34
10.	Worldwide Pty Ltd	6,970,000	2.29
11.	Mr Wayne David McGregor	5,769,231	1.90
12.	Teleah Pty Ltd <J R Sauvey Super Fund A/C>	5,769,231	1.90
13.	Mr Russell Jonathon & Ms Jessica Rachel Fine <RJ Fine Services A/C>	4,780,081	1.57
14.	Mrs Joanne Upton <Coup Discretionary A/C>	4,500,000	1.48
15.	Mr Domenic Sgro & Mrs Catherine Sgro <Sgro Super Fund A/C>	3,368,976	1.11
16.	Mr Michael Frank Manford <Atlo Superfund Account>	3,011,253	0.99
17.	Julsan Pty Ltd <Ponte Super Fund A/C>	2,963,637	0.98
18.	Liew Serng Yee	2,731,409	0.90
19.	Colbern Fiduciary Nominees Pty Ltd	2,478,788	0.82
20.	Monteleone Melbourne Pty Ltd	2,459,520	0.81
		224,442,271	**73.90**

Options exercisable at $0.05 each on or before 30 April 2012

	Name	No. of Options	%
1.	Matthew David Burford	3,203,137	12.66
2.	Worldwide Pty Ltd	2,500,000	9.88
3.	Idinoc Pty Ltd <J & R Conidi Family A/C>	2,186,789	8.64
4.	Nick Conidi Pty Ltd <Conidi Family A/C>	1,937,203	7.65
5.	Julsan Pty Ltd <Ponte Super Fund A/C>	1,713,637	6.77
6.	Mr Michael Frank Manford <Atlo Superfund Account>	1,035,375	4.09
7.	Leanne Maree Brennan	620,242	2.45
8.	T T Nicholls Pty Ltd <Superannuation A/C>	582,769	2.30
9.	Cornelia Pty Ltd <F T A/C>	537,314	2.12
10.	Jasper Hill Resources Pty Ltd <T A/C>	537,314	2.12
11.	Novander Pty Ltd	500,000	1.98
12.	John Conidi <Conidi Super Fund A/C>	409,091	1.62
13.	Blayney Engineering Services Pty Ltd	407,761	1.61
14.	John Conidi <Conidi Super Plan A/C>	407,761	1.61
15.	Dominik Henry Kucera	407,761	1.61
16.	Rhett Anthony Morson <Bomimo Family A/C>	407,761	1.61
17.	Thang Pty Ltd	407,761	1.61
18.	Nicola & Giannina Conidi <Nick & Jan Conidi S/F A/C>	403,990	1.60
19.	Investment Custodial Services Limited <990029665 A/C>	399,607	1.58
20.	Stephen James Meddis	399,105	1.58
		19,004,378	**75.09**

Distribution schedules

A distribution of each class of equity security as at 29 September 2010:

Fully paid ordinary shares

Range			Holders	Units	%
1	-	1,000	6	1,214	0.00
1,001	-	5,000	14	47,840	0.02
5,001	-	10,000	66	637,960	0.21
10,001	-	100,000	154	6,753,612	2.22
100,001	-	Over	145	296,286,182	97.55
Total			385	303,726,809	100.00

Options exercisable at $0.05 each on or before 30 April 2012

Range			Holders	Units	%
1	-	1,000	7	5,402	0.02
1,001	-	5,000	16	47,741	0.19
5,001	-	10,000	11	84,367	0.33
10,001	-	100,000	35	1,544,571	6.10
100,001	-	Over	42	23,628,487	93.36
Total			111	25,310,568	100.00

Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Substantial shareholder	Number of Shares
Kingsley Amber Pty Ltd	34,449,072
Monaco Bond Pty Ltd	25,408,656
Nick Conidi Pty Ltd	24,809,232
Idinoc Pty Ltd	24,054,672
Ms Stella Ha	19,378,464
Gia Chau Pty Ltd	17,734,752
Harry Kaplan Pty Ltd	17,157,000

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 12,500 as at 29 September 2010):

Holders	Units
94	778,644

Holdings less than a marketable parcel of options (being 50,000 as at 29 September 2010):

Holders	Units
54	643,050

Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.