2023 ANNUAL REPORT

ABN 84 117 391 812

CAPITOL HEALTH LIMITED

Content

Corporate Directory

Directors

Mr Andrew Demetriou	–	Chairman and Non-Executive Director
Mr Justin Walter	–	Managing Director and Chief Executive Officer
Mr Richard Loveridge	–	Non-Executive Director
Ms Laura McBain	–	Non-Executive Director
Dr Kevin Shaw	–	Non-Executive Director

Company Secretary

Ms Melanie Leydin – Company Secretary

Principal Place of Business and Registered Office

Level 2, 288 Victoria Parade, East Melbourne, Victoria, 3002

Telephone: (61-3) 9348 3333
Facsimile: (61-3) 9646 2260

Auditor

Deloitte Touche Tohmatsu
477 Collins Street, Melbourne, Victoria, 3000

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067

Telephone: (61-3) 9415 5000 / 1300 787 272
Facsimile: (61-3) 9473 2500

Stock Exchange

ASX Limited
Level 4, Rialto North Tower, 525 Collins Street, Melbourne, Victoria, 3000

ASX Code: CAJ

Dear Fellow Shareholders

On behalf of the Board of Directors of Capitol Health Limited, I am pleased to present our 2023 Annual Report. The Company has been able to grow its revenue from $184.2 million in 2022 to $209.6 million in 2023 despite challenges faced. Highlights for the year ended 30 June 2023 included:

- Completion of Future Medical Imaging Group acquisition
- Revenue up 13.8% to $209.6 million
- Operating EBITDA of $40.2 million
- Loss after tax of $11.3 million
- Non-cash fair value adjustment of Enlitic investment $17.6 million
- Negative earnings per share of 1.08 cents
- The Group's balance sheet remains sound with cash of $19.1 million and unused funding facilities of $62.4 million.
- Fully franked dividends declared in the year totalling 1.0 cent per share.
- Completed development of our new MRI-comprehensive Sunshine Private Hospital Clinic

As you may be aware, the imaging industry is slowly recovering from the COVID-19 pandemic with many of our peers continuing to face common challenges like workforce disruption and tougher more volatile macro environment conditions. However, despite these challenges, the Company remains resilient with the Capitol Health team working tirelessly to implement our strategic plan and under this combined effort, the Company performed remarkably well during the financial year.

On 4 November 2022, the Company acquired the Future Medical Imaging Group ("FMIG"), a scale provider of diagnostic imaging services at the forefront of several specialised services including cardiac, neuroimaging and women's imaging. The six FMIG clinics performed exceptionally during the last eight months to 30 June 2023, and contributed $16.8 million to the Company's revenue.

At Capitol Health, we are immensely proud that we were able to maintain the highest quality of care and safety for our patients, and that of our staff. We are therefore pleased to announce that we have completed development of our new radiology department in the 72-bed Sunshine Private Hospital. Our facility provides referrers and patients with access to a new MRI service in addition to the imaging services previously provided in the region.

As the Company completes its three-year 2024 strategy, we are also turning our minds to a three-year 2027 strategy. Capitol Health remains committed to its patients, referrers, its united group of staff and clinicians, and its shareholders. The Company will continue to invest in new equipment and improve its service offerings to referrers and patients, capabilities and attractiveness for staff recruitment and retention.

On behalf of the Board, I would like to thank our radiologists, sonographers, radiographers and staff for their continued efforts and commitment to outstanding patient care; our patients who used our services; and our large group of referrers who continue to support our clinics. In addition, I would like to thank my fellow Board members for their contribution to the Company and our shareholders for their continued support.

Regards

Andrew Demetriou
Chairman
Melbourne, Victoria
23 August 2023

Dear Shareholders,

The 2023 financial year was significant for Capitol Health ("CAJ") as we advanced our stated strategic plan. In particular, the acquisition of Future Medical Imaging Group ("FMIG") in Melbourne scaled CAJ upwards with six additional clinics and over 100 staff including seven highly regarded clinicians. We have now fully integrated FMIG into the CAJ network and are working hand in glove to grow together.

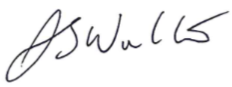
We have entered the final year of our strategic plan with investment continuing in people, systems, and processes, removing complexity and manual practices to ensure Capitol Health has a scalable business model. The unification of our patient information and imaging storage systems has commenced. Within 18 months we expect to achieve full unification nationally across all our clinics, placing us as a leader in the industry in this regard. This will allow seamless workflows and interactions for our staff, as well as enhancing the quality of service and experience of our referrers and their patients.

We, together with our referrers, endured further Covid pandemic waves during the year particularly in July and November in Melbourne, with short term impacts on demand and our ability to staff clinics. Our remarkable clinic staff continued to provide high quality and affordable imaging services to our community of referrers and patients, while management maintained a relentless focus on protecting staff safety and wellbeing.

Given the macro-economic environment, particularly inflationary pressures and workforce shortages, management has a renewed focus on our cost base with initiatives to improve efficiencies where possible to incrementally improve our operating margin.

Our strategic pillar of being a destination employer has held us in good stead during these times of workforce shortage. We are delighted with our recent ability to attract and retain many highly regarded Radiologists representing broad skill sets, with cultural and linguistic diversity. We have also broadened our inhouse training capability to future proof our clinic teams.

Finally, I acknowledge, commend, and thank our valued radiologists and staff, who have embraced change, met challenges head on, and together as one team have helped Capitol Health progress our transformational strategic plan.



Justin Walter
Managing Director & Chief Executive Officer
Melbourne, Victoria
23 August 2023

The Directors of Capitol Health Limited ("Capitol Health", "Company" or "Parent Entity") present their Report together with the Financial Statements of Capitol Health Limited and its controlled entities (the "Group") for the financial year ended 30 June 2023, and the auditor's report thereon.

Directors

The Directors of Capitol Health at any time during or since the end of the financial year are:

Mr Andrew Demetriou

Chairman and Non-Executive Director

Mr Demetriou was Chief Executive Officer of the Australian Football League from 2003 until June 2014. He was the Managing Director of the Ruthinium Group, a dental implant business, and he currently remains a board member. Andrew has also served as Non-Executive Chairman of the Baxter Group, is a former Chairman of the Australian Multicultural Advisory Council and served 2 years on the Referendum Council on behalf of the Federal Government for Indigenous Recognition in the Constitution. He was also the Chairman of Board of Management, Cox Architecture until December 2020.

Mr Demetriou was a Director of Crown Resorts Limited (ASX: CWN) from 2015 to February 2021.

Mr Justin Walter

BN (Hons), MPH

Managing Director and Chief Executive Officer

Mr Walter has over thirty years' wealth of experience in healthcare across public and private hospitals, GP and allied health clinics, and consulting along with strong management and leadership skills. He was most recently Managing Director of ASX listed healthcare company Zenitas Healthcare, and has held senior roles managing hospitals for Healthscope, and Spotless Group's health sector.

Other than Zenitas Healthcare Ltd– appointed April 2016 resigned February 2019, Mr Walter has not served as a director of any other listed company in the past three years.

Mr Richard Loveridge

BCom, LLB, Grad Dip App Fin

Non-Executive Director

Mr Loveridge served as a partner in the Corporate Group of Herbert Smith Freehills for more than 20 years and was Managing Partner of their National Corporate Group for 5 years. Mr Loveridge's experience includes capital raisings, mergers and acquisitions, joint ventures, shareholder agreements, company reorganisations, and corporate head office and advisory matters.

Mr Loveridge holds a Bachelor of Commerce and a Bachelor of Laws from the University of Melbourne, along with Graduate Diploma in Applied Finance from the Securities Institute of Australia. He was admitted as a Barrister and Solicitor to the Supreme Court of Victoria in 1988. He is also a council member of Scotch College in Melbourne, Chairperson of council of Ormond College (a residential college affiliated with the University of Melbourne) and Chairperson of Diabetes Victoria.

Mr Loveridge was a director of Powerwrap Limited (ASX: PWL) – from 2017 to November 2020.

Directors (cont'd)

Ms Laura McBain
BCom

Non-Executive Director
(Appointed 1 July 2021)

Ms McBain joined Capitol Health with extensive leadership experience having held roles of CEO / General Manager at Bellamy's Australia Limited, Managing Director of Maggie Beer Holdings Limited and Non-Executive Director of Export Finance Australia. She is currently a non-executive director of Lark Distilling Ltd (ASX: LRK) and served as its Interim Managing Director and CEO between February 2022 and April 2023.

Ms McBain was named Telstra Tasmanian Businesswoman of the Year in 2013 and went on to be named the Telstra Australian Businesswoman of the Year for 2013 (Private and Corporate). She holds a Bachelor of Commerce, in 2013 completed the Institute for Management Development Leadership Challenge and in 2017 completed the CEIBS-Wharton-IESE Business School Global CEO Program.

Ms McBain is a Non-Executive Director for the Tasmanian Government entity Tasmanian Irrigation Pty Ltd.

Dr Kevin Shaw
MBBS, FRANZCR

Non-Executive Director
(Appointed 10 September 2021)

Dr Shaw is a highly qualified radiologist with subspecialty training in neuroradiology and musculoskeletal imaging. He is the current Director of Radiology at Barwon Health. He obtained his medical degree from Monash University in 2006 and completed his radiology training at Royal Melbourne Hospital.

Dr Shaw is a Clinical Professor at Deakin Medical School. He is a past examiner for the Royal Australian and New Zealand College of Radiologists ("RANZCR") and previously sat on the College's Anatomy Exam Review Panel. He has been an MRI Clinical Reviewer for the College since 2014. Dr Shaw currently sits on the Medical Advisory Committee, Technology / Clinical Practice Committee, and Mortality Committee at Barwon Health, as well as the Medical Imaging Advisory Board at Deakin University. He is a councillor for Australian Medical Association Victoria as the State Representative for RANZCR.

Company Secretary

Ms Melanie Leydin
BBus (Acc.Corp Law) CA FGIA

Ms Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Chartered Accountants Australia and New Zealand ("CAANZ"), Fellow of the Governance Institute of Australia and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and from February 2000 to October 2021 was the principal of Leydin Freyer. In November 2021 Vistra acquired Leydin Freyer and, Ms Leydin is now Vistra Australia's Managing Director.

Ms Leydin has over 25 years' experience in the accounting profession and over 15 years' experience holding Board positions including Company Secretary of ASX listed entities. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies, initial public offerings, secondary raisings, and shareholder relations.

Directors' Meetings

Committee Membership

As at the date of the report, Capitol Health had a People, Culture & Sustainability Committee and an Audit & Risk Committee. Members acting on the committees of the Board during the financial year were:

People, Culture & Sustainability Committee	Audit & Risk Committee
Mr A Demetriou (Chair)	Mr R Loveridge (Chair)
Mr R Loveridge	Ms L McBain
Ms L McBain	Dr K Shaw

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

	Board		Audit & Risk Committee		People, Culture & Sustainability Committee	
Director	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mr A Demetriou	11	11	-	-	4	4
Mr J Walter	11	11	-	-	-	-
Ms R Loveridge	11	11	4	4	4	4
Ms L McBain	11	11	4	4	4	4
Dr K Shaw	11	11	4	4	-	-

Interests in Shares and Performance Rights of the Company and related bodies Corporate

As at the date of this report, the interests of the directors in the shares and performance rights of Capitol Health were:

Director	Ordinary Shares	Performance Rights
Mr A Demetriou	200,000	-
Mr R Loveridge	656,364	-
Mr J Walter	2,385,280	7,311,106
Ms L McBain	115,000	-

Dividends

Capitol Health has been paying dividends on a biannual basis since they were reinstated by the Board in 2018. The payment of dividends, while subject to corporate, legal and regulatory considerations, expect to continue in future years. The Company has a franking account balance of $5.3 million on 30 June 2023.

Dividends Declared on Ordinary Shares	Cents	$000
FY23 final dividend (declared)	0.5	5,318
Dividends accounted for in FY23		
FY23 interim dividend (declared and paid)	0.5	5,318
FY22 final dividend (declared and paid)	0.5	5,223

All dividends paid were fully franked.

Dividend Reinvestment Plan ("DRP")

Capitol Health operated a DRP in respect of the 2018 financial year final dividend but suspended the operation of the DRP prior to the 2019 financial year interim dividend. The DRP currently remains suspended.

Operating and Financial Review

Principal Activities

Capitol Health Limited (ASX: CAJ) is a leading provider of diagnostic imaging modalities and related services to the Australian healthcare market. Headquartered in Melbourne, during the year to 30 June 2023 it operated 66 clinics throughout Victoria, Tasmania, Western Australia, and South Australia. While trading primarily under its flagship brand, Capital Radiology, it also trades as Imaging@Olympic Park, Radiology Tasmania, Fowler Simmons Radiology, Womens' Imaging, Direct Radiology and Future Medical Imaging Group ("FMIG").

As a community focused company our clinics are predominantly suburban rather than hospital based. This allows a priority of service to our referrers and patients. Capitol Health provides a wide range of diagnostic imaging services with revenue primarily generated through X-Ray, Ultrasound, CT and MRI modalities. Our specialty services include a focus on women's imaging, cardiac imaging and musculoskeletal imaging. Additional offerings include interventional radiology, nuclear medicine, mammography, bone densitometry, and other diagnostic imaging related services.

Our market position allows us to meet consumer demand from patients, general practitioners, allied health professionals and medical specialists by conducting more than 1.4 million examinations annually. Capitol Health both employs and contracts with over 1,000 people in the delivery of our services which includes over 100 specialist radiologists.

The operational focus of Capitol Health continues to be on delivering a community-based infrastructure for radiologists and related medical practitioners to deliver optimal, efficient, accurate healthcare service outcomes for patients.

Capitol Health also has an investment in Enlitic Inc, the healthcare data solutions business based in the United States.

Financial Performance

The summary income statement below outlines the consolidated operating results of the Group and reconciliation to its statutory results.

Summary Income Statement	**2023 $m**	2022 $m	Change %
Revenue from ordinary activities	**209.6**	184.2	13.8%
(Loss) / profit before income tax	**(10.1)**	15.9	(163.2%)
Add back:			
Transaction costs	1.6	1.0	
Unrealised foreign exchange gain	(0.3)	(1.8)	
Investments' movement in fair value	17.6	2.1	
Impairment of non-current assets	2.1	-	
Fair value movement of other financial liabilities	(0.3)	(0.1)	
Depreciation and amortisation	24.7	21.1	
Net finance costs	4.9	2.9	
Operating EBITDA[1)]	**40.2**	41.1	(2.2%)
Operating Margin (Operating EBITDA/Revenue)	*19.2%*	*22.3%*	

[1)]Operating EBITDA is a non-IFRS measure and has not been subject to audit by the Group's external auditors.

During the year ended 30 June 2023, Capitol Health continued its focus on delivery of its strategic framework to remain a high-quality imaging business through operational excellence, being a destination employer, offering first choice provider to patients and referrers, whilst utilising next generation technology.

The Group achieved revenue of $209.6 million in the 2023 financial year with expansion of its service offering through the existing clinic network, the integration of Future Medical Imaging Group, Medicare indexation of 1.6% for most diagnostic imaging services, whilst continuing to close small unprofitable clinics and cease low margin services.

Operating and Financial Review (cont'd)

Financial Performance (cont'd)

The business continued to suffer disruption to its revenue and the provision of services due to staff absenteeism internally and across our referrer network, disruption within GP networks due to patient access and cost, the national day of mourning public holiday, and the extended closure of a Victorian clinic due to a fire event in a neighbouring business.

Throughout the financial year diagnostic imaging industry volumes and overall market demand has improved with the Group continuing to provide important healthcare services to the communities in which we operate while ensuring our people are supported.

The Group's ongoing practice of matching staffing levels to patient demand for services and operating cost control assisted in delivering the Operating EBITDA of $40.2 million whilst maintaining the operational infrastructure and people throughout the year to support the expected improvement in demand for medical imaging services. Operating EBITDA was impacted through both temporary and ongoing increases to labour and operating costs. Increased labour costs were associated with higher Victorian payroll tax obligations due to state government surcharges, increased superannuation guarantee obligations, increased employee personal leave, increase in wages rates, ongoing workforce constraints, and temporary higher recruitment expenditure particularly associated with radiologists. Increased operating costs mainly related to clinic occupancy expenses which includes electricity and make good costs on exit of clinics, whilst medical equipment and consumable supplies increased with additional investment in service provision.

The Group commenced implementation of its key initiative of a unified clinic operating software system to deliver enhanced quality of service, operating efficiencies, scalability for growth, and improved patient, staff, and referrer experience. In combination with the delivery of the standard operating model across all Group operations it represents a significant step in delivery of our transformational strategic plan. Dring the year the Group reported a notifiable data breach to the Office of the Australian Information Commissioner ("OAIC") in relation to a single email account compromise matter. The OAIC has ceased all action in relation to this.

During the year Enlitic, the healthcare data solutions business in which the Group has a minority interest completed its Series C capital raise. Consistent with Group's strategic plan to focus on growth of domestic operations and on-going strong fiscal stewardship it did not participate in the raise. The terms of the Enlitic raise and the Group's non-participation resulted in the material non-cash fair value adjustment, decreasing the carrying value of the Enlitic investment. Reflective of this reduced financial interest in Enlitic, Capitol Health managing Director, Justin Walter resigned from the Enlitic Board of Directors.

The impairment of financial assets recognised during the year relates to our operations in Western Australia and the exit costs related to the decommissioning of a clinic. The Group is focused on continuing to improve the performance of our clinics in Western Australia, however, their recent results and uncertainty arising from the current environment, has resulted in certain right-of-use assets and plant and equipment being impaired. Further, a lease agreement for a decommissioned Victorian clinic where future lease payments are inevitable exceeds the expected economic benefits associated to the right-of-use-asset.

Financial Highlights

Capitol Health achieved a statutory net loss after tax for the year ended 30 June 2023 of $11.3 million (2022: net profit $11.0 million).

- Revenue increased 13.8% on the prior year to $209.6 million driven by the acquisition of Future Medical Imaging Group, the expansion of the Group's service offering through its existing clinic network and an increase in Medicare rebates for certain services.
- Excluding revenue from the recent acquisition of Future Medical Imaging Group of $16.8 million, the Group delivered $192.8 million of revenue which represents an increase of 4.7% year on year.
- Consistent with the Group strategy the closure of small unprofitable clinics and cessation of low margin services resulted in a reduction of $0.4 million of revenue from the 2022 financial year.

Operating and Financial Review (cont'd)

Financial Highlights (cont'd)

- A Victorian clinic was closed in February 2023 due to a fire event in a neighbouring business and currently remains closed. The Group's insurance policies include business interruption cover for revenue, payroll costs, claims preparation and additional costs of working.
- Government Medicare rebates were indexed by 1.6% across certain services only from 1 July 2022.
- Increased labour costs were associated with higher Victorian payroll tax obligations due to state government surcharges, increased superannuation guarantee obligations, increased employee personal leave, increase in wages rates, ongoing workforce constraints, and temporary higher recruitment expenditure particularly associated with radiologists.
- Operating EBITDA margin as a percentage of revenue was 19.2% compared to 22.3% in the previous year. The Group maintained its operational infrastructure and people to support the expected demand for medical imaging services but a disrupted GP workforce, constrained GP visitation activity, staff absenteeism, increased labour costs, inflationary pressures all contributed to a decline in operating EBITDA margin.
- Transaction costs of $1.6 million were incurred mostly in respect of the acquisition of Future Medical Imaging Group.
- An unrealised foreign exchange gain of $0.4 million was recognised in respect of foreign currency exchange movement (AUD: USD) related to the investment in unlisted entity Enlitic. The business also recognised an adverse fair value movement for the same investment of $17.6 million driven from the completion of Enlitic's Series C capital raise and subsequent fair value assessment.

Operational Highlights

Focus on growth

- The Group acquired 100% of the shares in Future Medical Imaging Group Pty Ltd which operates six dedicated diagnostic imaging clinics in Victoria providing several specialised services including cardiac, neuroimaging and women's imaging. The acquisition is aligned to the Group's strategic plan for long term organic growth and expanding its network of high-quality community imaging centres.
- Development was completed for our new MRI-comprehensive Sunshine Private Hospital clinic. The hospital is a 75-bed facility with four operating theatres and both permanent and sessional consulting suites. Our aged neighbouring Brimbank clinic was closed in late June.
- Radiologist recruitment strengthened throughout the year with the successful implementation of our centralised talent acquisition framework which included additional talent acquisition roles and recruitment software.

Capital Expenditure

- The Group continues to invest in its fleet of medical equipment to constantly modernise the technology utilised in the business, increase service offering to referrers and patients, and optimise asset utilisation. Capitol Health spent $16.8 million on plant and equipment as noted in our cash flow from investing activities. This figure was higher than initially anticipated after the Sunshine Private Hospital clinic completed earlier than expected.
- Capitol Health continues to evaluate clinic performance and service opportunities to consolidate activities into larger clinics enabling better utilisation of equipment and people, standardise service offering to referrers and patients, and to focus on activities that provide suitable operating margins.
- The unified clinic operating software system designed to deliver enhanced quality of service, operating efficiencies, scalability for growth, and improved patient, staff, and referrer experience was scoped, approved and commenced implementation in the 2023 financial year.

Cash Flows

- Net cash flow from operations increased to $37.5 million compared to $31.9 million in the previous corresponding year.

Operating and Financial Review (cont'd)

Operational Highlights (cont'd)

Capital Management Initiatives

- During the financial year, Capitol Health increased its bank borrowings by $53.8 million which included $49.8 million for the acquisition of Future Medical Imaging Group and $4.0 million for additional operating cash requirements.
- Net debt to last twelve months operating EBITDA is 1.4x as at 30 June 2023 (2022 0.1x) representing a strong balance sheet capacity for growth.
- Maintained the share buy-back programme however the programme was not utilised during the year.

Earnings Per Share

- Delivered Basic earnings per share of (1.08) cents in the 2023 financial year (2022: 1.04 cents).
- Delivered Diluted earnings per share of (1.08) cents in the 2023 financial year (2022: 1.01 cents).

Dividends

- During the 2023 financial year, an interim dividend of 0.5 cents per share (100% franked) was paid to the holders of ordinary shares.
- Fully franked dividends declared in respect of the 2023 financial year total 1.0 cent per share.

Strategy

Capitol Health continues the delivery of its 3-year strategic framework that management established during 2020. Disrupted due to Covid-19 the unified clinic operating software system designed to deliver enhanced quality of service, operating efficiencies, scalability for growth, and improved patient, staff, and referrer experience represents the most significant outstanding item and was commenced during the year. The Group strategy is articulated in the following five key pillars:

First Choice Provider	• Emphasis on eReferral enabling acceptance of patient referrals electronically. • Implemented CRM systems in our qualitative and quantitative focussed support and optimisation of the patient/referrer experience. • Implementation of the standard operating model ("SOM") across all the Group operations.
Destination Employer	• Enhanced management team capability with the appointments of the Chief of Clinics and the Chief Commercial Officer. • Strengthening of our organisation wide feedback and coaching framework. • Increased focus upon staff satisfaction and development via periodic surveys and action plans. • Refined our staff recruitment and retention approach in alignment with our culture and values.
Next-Generation Technology	• Completion of new telephony and data capabilities for our clinics nationally including a call centre to improve patient bookings. • Consolidated multiple physical data centres nationally to a single outsourced solution. • Improved cyber-security protections across the national IT network.
Operational Excellence	• Successfully managed the alignment of labour resources to demand for services at clinics. • Continued the optimisation of operational efficiencies through our cost-to-serve approach. • Implementation of a risk management system for incident reporting and management.
Values-based Communications	• Strengthening Capitol Health branding and reputation through strategic and values-centric communications with stakeholders. • Reinforce the business vision, purpose and pillars with stakeholders.

Operating and Financial Review (cont'd)

Likely Developments, Business Strategies and Prospects

Australia

The focus of the Group is to deliver organic growth by developing existing clinics and opening new clinics in strategic locations across the network. This growth will be complemented by targeted acquisitions and investment in people and systems for scalability.

International

Internationally, the Capitol Group has no plans for expansion and has previously exited all arrangements with its interests in Asia.

Going Forward

The Group continues to have a strong commitment to delivering both a strong revenue and operating EBITDA driven by organic growth while looking after our people and our patients. We continue to look for market expansion opportunities via business acquisitions that are aligned with our goals and values while continuing to carry a strong financial position.

Further, we are committed to:

- Investment in the front end of our business via operational systems and optimisation of communications.
- Implementation of the Standard operating model to catalyse scalability.
- Improvement and control of the 'cost-to-serve' of the business.

Achieving our goals in the next financial year and in the future is based on the following engines of growth:

Organic	• Focus on 'go to' market strategy to drive market share. • Match patient demand to resourcing. • Ongoing review of the business to improve efficiencies.
Clinic upgrades	• Review and optimise our network of clinics. • Brownfield redevelopment and upgrading of modalities.
Acquisitions	• Locations that complement the network. • Alignment with our Company Vision, Values and Strategy. • Deliver value to shareholders. • Clinic investment to drive organic growth. • Capitalise on synergistic benefits.
Technology Investment	• Referrer interface software and telehealth functionality. • Unified patient information platform. • Communications and data strategy.

Material Business Risks

Capitol Health faces business risks that could adversely affect the achievement of its business strategies and financial prospects.

Government Policy and Regulation

- The business is subject to high levels of compliance with relevant healthcare and diagnostic imaging legislation, regulation and industry codes and standards. This risk includes potential loss of industry licences or accreditation.
- The business operates in an environment of heavy revenue regulation with 75% of this bulk billed. If there is a shift in government policy or funding this could have a significant impact on the operating model.

Aims and Actions

We seek to mitigate compliance risks through adherence to internal policies and sound corporate governance principles. We also continuously explore diversification of our services offered and revenue reliance.

Material Business Risks (cont'd)

Strategic

- The business may fail to complete acquisitions or deliver upon subsequent integrations affecting the growth strategy of the Group.
- In an inflationary environment the operating expenditure or the capital cost of asset purchases may increase resulting in reduced financial performance or returns on investments.
- There are risks associated with commercial decision making and execution of strategic initiatives including greenfield and brownfield investment opportunities.
- Building strong referrer relationships through the provision of precise and timely diagnostic imaging is important to levels of referrals that drive our business prospects.

Aims and Actions

We aim to mitigate the strategic risks by:

- Using an acquisitions and integration framework to maximise the benefits of such transactions and engaging external advisors, where necessary.
- The business has in place systems of controls and review with regards to monitoring operating and capital expenditure, financial performance, and investment decisions.
- Minimising commercial decision-making risk through appropriate review, investment frameworks and the analysis of market data.
- Investing in positive referrer and patient experiences whilst utilising qualitative and quantitative research to inform referrer behaviour and preferences.

Clinical and Operational

- Adverse clinical events or poor quality of service delivery may impact patients and their medical outcomes.
- Clinics or medical equipment may not operate in the manner required or anticipated resulting in staff, patient or referrer dissatisfaction.

Aims and Actions

The business is committed to providing high-quality diagnostic imaging, interventions and reporting to its patients and referring Doctors but it also insures its interests with medical indemnity and public liability cover. We carefully analyse risks in our operational activities, seeking that the benefit of the risk control measures exceeds the costs whilst keeping up to date with industry events and best practice clinical outcomes.

Information and Communication Technology

- The business may suffer from significant and malicious threats, misuse of information or from the non-availability of systems required to operate our information and communication assets for their intended purpose.
- The business may suffer from a failure to adopt or use technology that results in a poor competitive positioning and loss of patient referrals.

Aims and Actions

The Group fosters internal control processes to assist the development of robust technology systems and procedures. We also mitigate risks through a clear technology framework that involves the controlled adoption of innovative software and systems.

People

- Our people (employees and contractors) are critical for the delivery of diagnostic imaging to our clients in a community setting. Failure to recruit or retain suitable people with the right skills, competencies and behaviours will affect the provision of services.
- People costs represent the largest expense within the business. These costs may increase substantially in an inflationary environment or as a result of a change in contractual agreements with our employees and contractors.
- The risk of harm to our people through non-compliance with accepted OHS policy and practice.

Material Business Risks (cont'd)

People (cont'd)

Aims and Actions

We aim to mitigate these risks by:

- Applying and reinforcing our People framework, defined values and other people initiatives such as our grow, perform, succeed in support of our strategic goal of becoming a destination employer.
- Remuneration of our people is benchmarked with competitors in attracting and retaining the right skills and competencies and includes both direct remuneration and indirect benefits.
- Being committed to provide a safe, flexible and respectful environment for employees and contractors free from all forms of discrimination, harassment, exploitation and bullying and where people are protected from physical or psychological harm.

Sustainability

- The natural environment through impacts of climate change and climate related events could negatively impact clinic operations and the delivery of services to patients and referrers through a temporary or protracted lack of availability to necessary infrastructure, energy, communications, patient volumes and medical equipment.
- Increases in energy pricing and more specifically electricity could affect the entities financial expectations and subsequent cash flows and investments over the short, medium or long term.

Aims and Actions

We aim to mitigate these risks by:

- Establishing alternate channels for communications depending on availability, application of both onsite and offsite infrastructure so that certain clinic activity can continue despite external events, operating clinics in a cluster in the event of a disruption to services and patients and ensuring appropriate disaster recovery planning.
- Reducing the energy usage of medical equipment through upgrades in technology and commercial agreements for the supply of electricity to assist in controlling cost.

Post Covid-19

The tailwinds of the Covid-19 pandemic are still causing disruptions, mainly due to a lack of qualified staff across the country. The residual pandemic uncertainties also impact our supply chain, customer demand, and the financial markets. In response to these challenges, Capitol Health is staying vigilant.

Aims and Actions

The Group will continue to monitor demand across the business and structure resources accordingly in support of the daily operation of clinics and the health, safety and wellbeing of our people and patients.

Significant Changes in the State of Affairs

Acquisitions

Acquisition of Future Medical Imaging Group Pty Ltd

On 4 November 2022, the Group acquired 100% of the shares in Future Medical Imaging Group Pty Ltd ("FMIG") which operates six dedicated diagnostic imaging clinics in Victoria. The acquisition is aligned to the Group's strategic plan for long-term organic growth and expanding its network of high-quality community imaging centres. The provisional goodwill of $40.4 million comprises the value of expected synergies arising from the acquisition.

The consideration for the acquisition amounted to $55.8 million prior to transactions costs. This includes shares in Capitol Health Limited of $6.0 million and $49.8 million funded through Capitol Health's debt facilities. Transaction costs of the acquisition (included in cash flows from investing activities) amounted to $1.6 million.

The net assets recognised in the 30 June 2023 financial statements are provisional.

Events Subsequent to Balance Date

After 30 June 2023:

Opening of the Sunshine Private Hospital Clinic
On 3 July 2023, our new MRI-comprehensive Sunshine Private Hospital clinic commenced operations. This state-of-the-art hospital facility, featuring 75 beds and four operating theatres, is complemented by both permanent and sessional consulting suites. Coinciding with this development, our Brimbank clinic, located in close proximity, was officially closed in late June.

Direct Radiology – Treasury Shares
In the fiscal year 2021, the Group allocated 2,347,752 shares as deferred consideration in connection with the acquisition of Direct Radiology. These shares are presently held in Escrow with a scheduled release date in August 2023. It is of note that the release of these shares is contingent upon the fulfillment of stipulated revenue targets and the satisfaction of ongoing employment criteria. The shares will not be released to the vendors due to the non-fulfillment of the conditions.

Deed of Cross Guarantee Update
Subsequent to 30 June 2023, the boards of each of the parties to the deed agreed to revoke the deed of cross guarantee in respect of Capitol China Radiology Pty Ltd, Capitol China Operations Pty Ltd and Capitol Investments Pty Ltd. All parties subsequently completed a revocation deed which has been lodged with ASIC.

Dividend
On 23 August 2023, the Company declared a final dividend for the full year ended 30 June 2023 of 0.5 cents per share (30 June 2022: 0.5 cents) with a maximum dividend payable of $5.3 million.

Other than the above, there have been no other matters or circumstances occurring subsequent to the end of the 2023 financial year that have significantly affected or may significantly affect the operations of the Group, the results of these operations or the state of affairs of the Group in subsequent financial years.

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 obligations and is not aware of any breach of those environmental requirements as they apply to the Group.

Share Options

Unissued shares

At both reporting date and the date of this report, there were 10,315,000 unissued ordinary shares of the Company under option and 8,440,269 performance rights on hand. Refer to the remuneration report for further details of the options and performance rights outstanding for Key Management Personnel ("KMP").

Option holders and performance rights holders do not have any right, by virtue of the option or the performance right, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options and rights

During the financial year, a total of 2,385,280 performance rights were exercised. No options were exercised.

Indemnification and Insurance

Indemnification of directors and officers

To the extent permitted by law, the Company has agreed to indemnify its current Directors and Officers against all liabilities to another party (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.

Indemnification and Insurance (cont'd)

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, Company Secretary, and all executive officers of the Group against a liability incurred as 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.

Rounding of Amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 29 of the financial report.

Non-Audit Services

Details of amounts paid or payable to the Company's auditor for non-audit services provided during the year by the auditor are outlined in Note 6.1 to the financial statements.

The Directors are satisfied that as the provision of non-audit services by the auditor was nil during the year (or by another person or firm on the auditor's behalf) this is compatible with the general standard of independence for auditors imposed by the *Corporations Act*.

Letter from the Chair of the People, Culture & Sustainability Committee

Dear Shareholder

On behalf of your Board of Directors, I am pleased to present the Remuneration Report for the financial year ended 30 June 2023.

This report details the remuneration framework and outcomes for Capitol Health's Key Management Personnel ("KMP"). The remuneration framework aims to ensure that Total Remuneration Packages ("TRP") of our executive KMP are linked to shareholder value. The link is achieved through the variable elements of TRPs with potential Short-Term Incentive ("STI") and Long-Term Incentive ("LTI") awards being "at risk" and dependent upon performance.

Despite a challenging year, the business performed strongly, and this would not have been possible without our strongly resolute team of staff, radiologists, sonographers, radiographers, KMP and Directors. The Company has been able to grow its revenue from $184.2 million in 2022 to $209.6 million in 2023 which was a pleasing result given the challenges faced. The Board recognises Capitol Health's strong culture and clear purpose as a competitive advantage and a key differentiator in attracting and retaining the best talent in the imaging industry.

Capitol Health also recognises the strategic value of a diverse workforce and inclusive workplace. We have in place a Diversity and Inclusion Policy framework which reinforces the Company's commitment towards diversity and inclusion, not only to our workplace, but also to patients, customers, suppliers, and the community. The framework is underpinned by a range of supporting policies and programs including paid parental leave, recruitment and selection, performance and reward and professional development. This framework is in line with recommendations of the Workplace Gender Equality Agency.

The Board remains committed to a remuneration framework designed to attract, motivate, and retain the best talent with capabilities that enable our strategic goals, and align it with our culture and behavioural expectations. The remuneration framework is regularly reviewed to ensure that it continuously supports the business strategy and remains aligned with short-term and long-term value creation.

Our focus as a Board is on balancing the delivery of returns to investors with long-term sustainable business performance. In determining the remuneration outcomes for the 2023 financial year, the Board took into consideration business progress and achievements against strategic priorities, the performance of management as well as market conditions. The Board is committed to ensuring that our people are remunerated fairly, with alignment to current market rates, and responsibly with a clear link to corporate and individual performance.

The Committee is pleased to confirm that for the 2023 financial year the KMP performed well against their non-financial performance metrics. However, in an exceedingly difficult operating environment most financial metrics were not achieved and hence short-term incentives were partially awarded. Overall, the Board felt that the KMP performed extremely well, and thank Justin Walter for his strong leadership and the management teams for their commitment.

As the Company grows and we continue to implement our strategic plan, higher expectations have been placed on our staff and it is very pleasing to note their passion and performance on creating value for all stakeholders. We will continue to build on a stronger workforce and growing our pool of radiologists, sonographers and radiographers to meet the returning demand for medical imaging services.
Yours faithfully

Andrew Demetriou
Chair of the People, Culture & Sustainability Committee
23 August 2023

Remuneration Report (Audited)

This Remuneration Report forms part of the Directors' Report and outlines the remuneration framework and outcomes for Key Management Personnel ("KMP") for the year ended 30 June 2023.

The information provided has been prepared and audited in accordance with section 300A of the *Corporations Act 2001* and the *Corporations Regulations 2001*. All contracts for KMP are denominated in Australian dollars and accordingly all figures in the Remuneration Report are presented in Australian dollars.

1. Remuneration Framework

1.1 Persons Covered by this Report

In this report, Key Management Personnel ("KMP") are those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly. The table below lists the KMP for the year ended 30 June 2023.

Name	Position	Period
Non-Executive Directors		
Mr A Demetriou	Chairman & Non-Executive Director	Full Financial Year
Mr R Loveridge	Non-Executive Director	Full Financial Year
Ms L McBain	Non-Executive Director	Full Financial Year
Dr K Shaw	Non-Executive Director	Full Financial Year
Executive Director		
Mr J Walter	Managing Director & Chief Executive Officer (MD & CEO)	Full Financial Year
Senior Executive		
Mr C Bremner	Chief Financial Officer (CFO)	Full Financial Year

1.2 Remuneration Policy

The objective of Capitol Health's remuneration structure is to ensure that all Directors and KMP are remunerated fairly and responsibly at a level that is competitive and appropriate, to attract and retain suitably skilled and experienced people. The remuneration structures are also designed to reward the achievement of strategic objectives in alignment with the broader outcome of creation of value for shareholders.

The remuneration strategy of the Company is based on the following principles, which determine the remuneration components, the mix and method of award.

ALIGNMENT

Remuneration that is designed to promote mutually beneficial outcomes, aligning Capitol Health, Executive, Board and Stakeholder interests.

SUSTAINABILITY

Remuneration that is market competitive which attracts and retains executives with capabilities and expertise to deliver our strategy.

RELEVANCE

Appropriate mix of fixed and at-risk components including short-term and long-term incentives which reflect a balance of financial and non-financial objectives relevant to Capitol Health and specific executive roles.

TRANSPARENCY

Remuneration outcomes that build a culture of achievement based on a set of clear objectives and expectations linked to Capitol Health's strategy.

1.3 Executive Component and Pay Mix

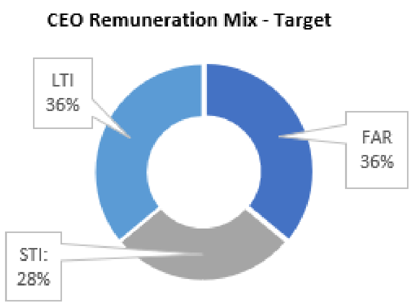
Capitol Health's executives are rewarded with a level and mix of remuneration appropriate to their position, responsibilities and performance at a level that is competitive, reasonable and appropriate, in order to attract and retain suitably skilled and experienced people and to align with the business strategy.

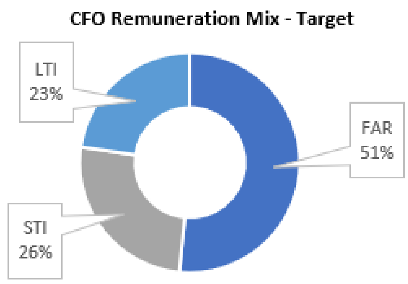
Executives receive fixed remuneration and variable remuneration consisting of short-term and long-term incentive opportunities. Executive remuneration levels, including the MD & CEO and CFO are reviewed annually by the People, Culture & Sustainability Committee with reference to the remuneration guiding principles and market movements.

Fixed Remuneration	
Base salary + Superannuation + Benefits	
Variable Remuneration	
Short-Term Incentive Plan	Long-Term Incentive Plan
Cash or Equity	Options / Performance Rights

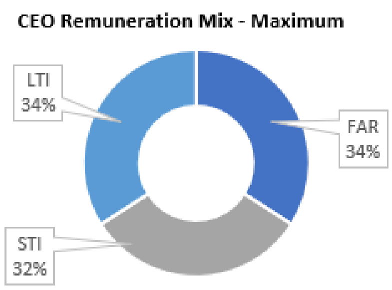
The charts below provide a summary of the structure of executive remuneration in place for the 2023 financial year:

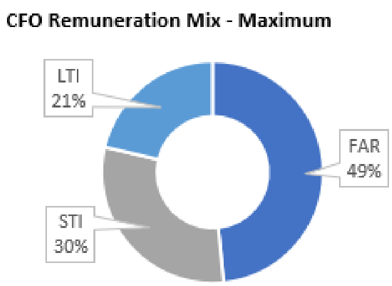
At-Target Mix





At-Maximum Mix





Fixed Annual Remuneration ("FAR")

The strategic intent of FAR is to attract and retain executives with the capability and experience to deliver the Company's strategy. The FAR is set in consideration of market relativities and benchmarking against a peer group of ASX-listed companies, appropriately reflecting responsibilities, qualifications, experience, and effectiveness.

1.3 Executive Component and Pay Mix (continued)

Short Term Incentives ("STI")

The STI plan for KMP is designed as a performance incentive directed to the achievement of Board approved strategic objectives. The STI performance criteria is set by reference to financial metrics, non-financial metrics, strategic objectives and individual performance and effort relevant to the specific objective.

<table>
<tr><th>Item</th><th colspan="4">Detail</th></tr>
<tr><td rowspan="3">Award Opportunity</td><td>KMP</td><td>Target Opportunity</td><td colspan="2">Maximum Opportunity</td></tr>
<tr><td>CEO</td><td>75% of FAR</td><td colspan="2">93.75% of FAR</td></tr>
<tr><td>CFO</td><td>50% of FAR</td><td colspan="2">62.50% of FAR</td></tr>
<tr><td rowspan="6">Performance Measures and Weightings</td><td></td><td>Objective</td><td>CEO</td><td>CFO</td></tr>
<tr><td>Financial</td><td>Achievement of Group Operating EBITDA, revenue and NPAT targets drive returns for our shareholders</td><td>60%</td><td>60%</td></tr>
<tr><td>Projects</td><td>Focus on delivery of annual strategic objectives to deliver our long-term strategy</td><td>28%</td><td>28%</td></tr>
<tr><td>People</td><td>Our people are our most important asset, we work together with respect and nurture a culture of recognition, empathy and inclusion to become a destination employer</td><td>4%</td><td>4%</td></tr>
<tr><td>Quality & Safety</td><td>Focus on operational excellence and safety as the platform for organic growth</td><td>8%</td><td>8%</td></tr>
<tr><td colspan="4">The CEO has additional general performance criteria as assessed by the Board that acts as gateway to the STI award around culture, leadership, stakeholder relations and strategy development.
The above objectives have been chosen in support of achievement of the Capitol Health vision, aspirations, values and the strategic pillars of our business.
Stretch performance targets of up to an additional 25% of STI have been set to focus the KMP on the Boards' expectations in support of driving shareholder value.</td></tr>
<tr><td>Delivery</td><td colspan="4">The STI Award is delivered annually in cash however the CEO has the option of taking up to 100% of the STI in equity.</td></tr>
</table>

Long Term Incentives ("LTI")

The LTI plan for KMP is designed as a performance incentive to allow the company to attract and retain talent and operates under the Capitol Health Limited Employee Incentive Plan ("Plan") which was approved by shareholders at the annual general meeting held on 16 November 2021. It is directed for alignment with the long-term business strategy and shareholders experience. The vesting and granting of the LTI is subject to set service and performance KPI.

Item	Detail		
Award Opportunity	KMP	Opportunity	Delivery
	CEO	100% of FAR	Performance Rights
	CFO [1)]	55% of FAR	Performance Rights

1.3 Executive Component and Pay Mix (continued)

Long Term Incentives ("LTI") (continued)

<table>
<tr><th>Item</th><th>Detail</th></tr>
<tr><td>Options</td><td>Under the Plan KMP are invited by the Board to participate.
An exercise price is set based upon the 20-day volume weighted average price immediately prior to the beginning of the financial year.
Vesting conditions include remaining employed with the Company and any other Plan conditions as determined by the Board.
The vesting period commences upon the grant date of the options with 50% eligible at 24 months from grant date and 50% eligible at 36 months from grant date.
Expiry date of the options are 42 months from the grant date.</td></tr>
<tr><td>Performance Rights</td><td>Each Performance Right granted for no consideration is a right to acquire a share, subject to the satisfaction of Vesting conditions.
Performance rights are issued with a three-year performance period.
Tranche 1 (50%) and Tranche 2 (50%) of the Performance Rights will vest in accordance with the achievement of Total Shareholder Return ("TSR") and Earnings per Share ("EPS") growth for the relevant period respectively.
Ongoing employment is also a vesting condition but with Board discretion as to treatment including with "good leaver" provisions.
Other aspects of Performance Rights include treatments in the event of a variation in capital or divestment, change of control and matters involving fraud, dishonesty, gross misconduct or breach of obligations.
Subject to Board discretion and dealing restrictions.</td></tr>
<tr><td>Performance Measures and Calculation of Awards</td><td>The achievement of the Total Shareholder Return ("TSR") target is determined by reference to the increase in Capitol Health Limited (ASX: CAJ) share price plus dividends reinvested over the Vesting Period compared to a comparator group of companies as determined by the Board.
The share price baseline for the TSR calculation will be calculated by reference to the volume weighted average price of Shares traded over the one month prior to the commencement of the Vesting Period.
Vesting is also conditional upon a minimum TSR increment of 10% being achieved over the period.
<table>
<tr><th>TSR performance vs comparator group</th><th>% of Tranche 1 Performance Rights to vest</th></tr>
<tr><td><50th Percentile</td><td>No vesting</td></tr>
<tr><td>≥50th Percentile to 74th Percentile</td><td>Pro-rata straight line vesting between 50% and 74%</td></tr>
<tr><td>≥75th Percentile</td><td>100% vesting</td></tr>
</table>
Earnings Per Share ("EPS") is determined by reference to the average growth in EPS over the three-year Performance Period.
The EPS LTI calculation will exclude Enlitic's performance on the Group and transaction costs are to be included in year 1 and year 2, but not to be included in year 3.
EPS is calculated by taking the reported net profit after tax and dividing by the reported weighted average shares on issue during each year.
<table>
<tr><th>LTI for the 2023 financial year</th><th></th></tr>
<tr><td>EPS growth</td><td>% of Tranche 2 Performance Rights to vest</td></tr>
<tr><td><10%</td><td>No vesting</td></tr>
<tr><td>=10%</td><td>25% vesting</td></tr>
<tr><td>>10% to <45%</td><td>Pro-rata straight line vesting between 10% and 45%</td></tr>
<tr><td>≥45% growth</td><td>100% vesting</td></tr>
</table>
</td></tr>
</table>

1.3 Executive Component and Pay Mix (continued)

Long Term Incentives ("LTI") (continued)

<table>
<tr><th>Item</th><th colspan="2">Detail</th></tr>
<tr><td rowspan="5">Performance Measures and Calculation of Awards (continued)</td><td>LTI for the 2022 financial year</td><td></td></tr>
<tr><td>EPS growth</td><td>% of Tranche 2 Performance Rights to vest</td></tr>
<tr><td><10%</td><td>No vesting</td></tr>
<tr><td>≥ 10% to <45%</td><td>Pro-rata straight line vesting</td></tr>
<tr><td>≥ 45% growth</td><td>100% vesting</td></tr>
<tr><td>Plan</td><td colspan="2">Under the Capitol Health Limited Employee Incentive Plan ("Plan") approved by shareholders the Board has the discretion to allow or prohibit automatic and full vesting on change of control. Employment agreements currently grant each current KMP automatic and full vesting on change of control for both Options and Performance Rights where relevant.</td></tr>
</table>

[1)] CFO LTI changed to 55% of FAR delivered in performance rights from 1 July 2022.

1.4 Remuneration Governance

The Board established the People Culture & Sustainability Committee ("PCSC") which has amongst its objectives to assist in ensuring the Company has appropriate remuneration policies and practices, including promotion of diversity, equity and inclusion to attract, retain and reward the Directors and the CEO who will pursue the Group's long-term growth and success.

The PCSC of Capitol Health is also responsible for considering and making recommendations to the Board regarding the remuneration framework for Directors, CEO and any direct reports of the CEO.

If necessary, the PCSC obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives for the Group.

The Capitol Health Short-term Incentive Scheme ("STI") governs the award of short-term incentive payments to eligible staff. The Capitol Health Long-term Incentive Scheme ("LTI") governs the award of long-term incentives to eligible staff. Both STI and LTI have performance measures and objectives that are clearly defined and measurable.

All Directors and employees are subject to the Capitol Health Securities Trading Policy, a copy of which is available on our website.

2. Company Performance and Executive Remuneration Outcomes

2.1 Company Performance

The Group performed well for the financial year in achieving revenue of $209.6 million through expansion of its service offering via the existing clinic network, the acquisition and integration of Future Medical Imaging Group, whilst also continuing to close small unprofitable clinics and cease low margin services. The business continued to suffer disruption to its revenue and the provision of services due to staff absenteeism internally and across our referrer network, disruption within GP networks due to patient access and cost, the national day of mourning public holiday, and the extended closure of a Victorian clinic due to a fire event in a neighbouring business.

Throughout the financial year diagnostic imaging industry volumes and overall market demand has improved with the Group continuing to provide important healthcare services to the communities in which we operate while ensuring our people are supported.

The Group's financial performance was impacted through both temporary and ongoing increases to labour and operating costs. Increased labour costs were associated with higher Victorian payroll tax obligations due to state government surcharges, increased superannuation guarantee obligations, increased employee personal leave, increase in wages rates, ongoing workforce constraints, and temporary higher recruitment expenditure particularly associated with radiologists. Increased operating costs mainly related to clinic occupancy expenses which includes electricity and make good costs on exit of clinics, whilst medical equipment and consumable supplies increased with additional investment in service provision.

The Group commenced implementation of its key initiative of a unified clinic operating software system to deliver enhanced quality of service, operating efficiencies, scalability for growth, and improved patient, staff, and referrer experience. In combination with the delivery of the standard operating model across all Group operations it represents a significant step in delivery of our transformational strategic plan.

Development was completed for our new MRI-comprehensive Sunshine Private Hospital clinic. The hospital is a 75-bed facility with four operating theatres and both permanent and sessional consulting suites. Our aged neighbouring Brimbank clinic was closed in late June.

Radiologist recruitment strengthened throughout the year with the successful implementation of our centralised talent acquisition framework which included additional talent acquisition roles and recruitment software.

The Company declared dividends totalling 1.0 cent per share in respect of the year ended 30 June 2023. This included an interim dividend of 0.5 cents per share paid in March 2023. A final dividend of 0.5 cents per share has been declared and will be paid in October 2023.

The table below shows a summary of five-year results of Capitol Health.

	Units	**2023**	**2022**	**2021**	**2020**	**2019[1)]**
Net (Loss)/profit for the financial year	$'000	(11,273)	10,968	12,028	1,088	24,307
Dividends Paid	$'000	10,541	10,388	10,258	7,719	7,129
Share Price at beginning of the financial year	cents	28.0	37.0	24.5	23.0	26.0
Share Price at end of the financial year	cents	27.0	28.0	37.0	24.5	23.0
Change in Share Price	cents	(1.0)	(9.0)	12.5	1.5	(3.0)
Earnings Per Share (Basic)	cents	(1.08)	1.04	1.17	0.11	3.09
Earnings Per Share (Adjusted)[2)]	cents	0.51	1.13	1.52	0.59	0.98

[1)]Restated to reflect adjustment made to certain amounts.

[2)]EPS calculation has been adjusted for transaction costs and Enlitic movements in fair value.

2.2 Performance against STI measures

KMP of the Group are awarded STI payments or bonuses in accordance with their individual contracts. During the 2023 financial year the STI payments are dependent on the satisfaction of performance conditions that were chosen deliberately to align the targets and financial performance of the business.

2.2 Performance against STI measures (cont'd)

Those performance conditions were aligned with the Group's short-term objectives and are also consistent with the long-term strategy of the Group with financial and operational targets.

Achievement of the relevant performance conditions were assessed objectively by the People, Culture & Sustainability Committee. STI payments are either payments made during the year or at the end of the financial year, are accrued, approved or specifically allocated to the individual.

Mr Walter (CEO) and Mr Bremner (CFO) achieved STI of $262,500 and $93,750, respectively in relation to their performance during the 2023 financial year. They performed well against their non-financial performance metrics but in a very difficult operating environment most financial metrics were not achieved and hence short-term awards were well below maximum possible awards.

2.3 Performance against LTI measures

Long-term incentives ("LTI") may be provided to KMP via the Capitol Health Limited Employee Incentive Plan ("Plan") which was approved by shareholders at the annual general meeting held on 16 November 2021.

The key objectives of the Plan, consistent with the objectives of the remuneration review being undertaken by the Board, are to:

- Assist in the attraction, retention, and motivation of key employees as well as the broader Company workforce.
- Reward key employees and other participants for strong individual and Company performance.
- Align the interests of participating employees with those of Company shareholders by providing opportunities to build their equity holding in the Company and providing the ability to share in future growth in value.

The LTI are provided as options over ordinary shares or performance rights of the Company to KMP based on their position within the Group. Vesting conditions may be imposed on any grants if considered appropriate, in accordance with the Plan's terms and conditions. As part of or under the rules of the Employee Incentive Plan:

2023 Financial Year

- 2,360,877 Performance rights were issued to Mr J Walter on 15 November 2022. The Performance rights have a three-year performance period from 1 July 2022 to 30 June 2025. Tranche 1 (50%) and Tranche 2 (50%) of the Performance Rights will vest in accordance with the achievement of Total Shareholder Return ("TSR") and Earnings per Share ("EPS") growth for the relevant period respectively. Total valuation on grant date of $560,708 with Tranche 1 valued at $0.1720 and Tranche 2 at $0.3030 per performance right.
- 696,616 Performance rights were issued to Mr C Bremner on 15 November 2022. The Performance rights have a three-year performance period from 1 July 2022 to 30 June 2025. Tranche 1 (50%) and Tranche 2 (50%) of the Performance Rights will vest in accordance with the achievement of Total Shareholder Return ("TSR") and Earnings per Share ("EPS") growth for the relevant period respectively. Total valuation on grant date of $165,446 with Tranche 1 valued at $0.1740 and Tranche 2 at $0.3010 per performance right.

2022 Financial Year

- 1,984,127 Performance rights were issued to Mr J Walter on 16 November 2021. The Performance rights have a three-year performance period from 1 July 2021 to 30 June 2024. Tranche 1 (50%) and Tranche 2 (50%) of the Performance Rights will vest in accordance with the achievement of Total Shareholder Return ("TSR") and Earnings per Share ("EPS") growth for the relevant period respectively. Total valuation on grant date of $554,563 with Tranche 1 valued at $0.2140 and Tranche 2 at $0.3450 per performance right.
- 1,410,000 options were issued to Mr C Bremner on 8 November 2021. Tranche 1 (50%) of the options with an expiry date of 8 May 2025 are exercisable at $0.3511 upon satisfying 24 months of continuous service from the grant date. Tranche 2 (50%) of the options with an expiry date of 8 May 2025 are exercisable at $0.3511 upon satisfying 36 months of continuous service from the grant date. Total valuation on grant date of $158,498.
- 1,500,000 options issued to Mr G Hughes at an exercise price of $0.3511 on 30 November 2021 were forfeited following cessation of employment on 8 April 2022. A further 1,500,000 options issued to Mr G Hughes in 2021 also lapsed on cessation of employment.

2.4 Performance against LTI measures (cont'd)

The rules of the Plan prohibit participants from entering transactions (whether using derivatives or otherwise) which limit the economic risk of participating in the scheme. The Plan rules provide that a participant must not enter any scheme, arrangement or agreement (including options and derivative products) under which the participant, in respect of awards that remain subject to the Rules:

- may alter the economic benefit to be derived from any such awards, irrespective of future changes in the market price of Shares; and/or
- purports to mortgage, pledge, assign, encumber or create security over any interest in any such awards; and/or
- sell, transfer, dispose of, swap, option, alienate the rights or obligations attaching to or otherwise deal with any such awards.

The Plan's rules further state that where a participant enters, or purports to enter, into any scheme, arrangement or agreement which breaches the above, the award immediately lapses.

2.5 Remuneration Entitlements for the 2023 financial year

Details of the nature and amount of each major element of KMP remuneration is set out in the table below:

	Short-Term				Post-Employ	Long-term	Share-Based			
Key Manager Name/Financial Year	Salary & Fees	STI Cash Bonus 1)	Other Benefits 2)	Termination Benefits	Super-annuation Benefits	Long Service Leave	Options & Performance Rights	Total	Perform-ance Related	Share-Based Share of Total
	$	$	$	$	$	$	$	$	%	%
2023										
Executive Director										
Mr J Walter	672,802	262,500	58,404	-	27,198	13,048	519,774	1,553,726	50.3%	33.5%
Senior Executives										
Mr C Bremner	349,708	93,750	43,062	-	25,292	6,742	136,316	654,870	35.1%	20.8%
	1,022,510	**356,250**	**101,466**	**-**	**52,490**	**19,790**	**656,090**	**2,208,596**	**45.8%**	**29.7%**
2022										
Executive Director										
Mr J Walter	669,898	194,250	51,594	-	27,500	12,531	437,974	1,393,747	45.4%	31.4%
Senior Executives										
Mr G Hughes[3]	304,041	-	48,491	291,710	19,124	(1,946)	(106,418)	555,002	(19.2%)	(19.2%)
Mr C Bremner	345,663	69,375	43,333	-	23,568	6,842	85,514	574,295	27.0%	14.9%
	1,319,602	**263,625**	**143,418**	**291,710**	**70,192**	**17,427**	**417,070**	**2,523,044**	**38.0%**	**14.0%**

1) STI bonuses represent the annual entitlements at the end of the financial year and specifically allocated to the individual.
2) Other benefits comprise the movement in annual leave entitlement over the financial year.
3) Mr G Hughes ceased employment on 8 April 2022. All options granted were forfeited on cessation of employment.

2.6 Actual Remuneration Paid to Executives during the year ended on 30 June 2023

The actual remuneration of KMP for the 2023 financial year are set out in the table below. This provides shareholders with a view of the remuneration actually paid to executives for performance during the year and the value of LTI's that vested during the period. STI is the amounts paid during the 2023 financial year but that relates to the 2022 year.

	Fixed Remuneration[1] $	Termination Payments $	STI $	LTI Vested $	Total Actual Remuneration Paid $
Mr J Walter	700,000	-	194,250	433,882	1,328,132
Mr C Bremner	375,000	-	69,375	-	444,375

1) Base salary plus superannuation.

3 Non-Executive Director Remuneration

3.1 Overview of Non-Executive Director Remuneration

Capitol Health’s Non-Executive Director fee policy is designed to attract and retain high calibre directors who can discharge the roles and responsibilities required in terms of good governance, strong oversight, independence, and objectivity. Non-Executive Directors do not receive any retirement benefits, nor do they receive any performance related compensation. In accordance with best practice corporate governance, the structure of Non-Executive Director remuneration is clearly distinguished from that of executives.

3.2 Non-Executive Director Remuneration Outcomes

The maximum remuneration for Non-Executive Directors is determined by resolution of shareholders. At the 2020 Annual General Meeting, shareholders approved a maximum aggregate remuneration of $750,000 per annum for Non-Executive Directors for the financial years from and for the year commencing 1 July 2020. A total of $610,000 was paid in Non-Executive Director fees in 2023.

The Capitol Health’ s Non-Executive Director fees cover all main board activities as well as membership of the two board committees.

The Chair of the Board attends committee meetings and receives an additional committee fee as the Chair of the People, Culture & Sustainability Committee in addition to the base fee as Chair of the Board. The fees for the 2023 financial year are shown below:

Board Fees	**Chair**	**Member**
Base fee	$250,000	$110,000
Board Committee Fees	**Chair**	**Member**
Audit & Risk	$15,000	-
People, Culture & Sustainability	$15,000	-

All Non-Executive Directors enter into a service agreement with Capitol Health setting out the terms of their appointment as directors including remuneration and the board policies relevant to the office of director. Non-Executive Directors may also be reimbursed for expenses reasonably incurred in attending to the Company’s affairs. They do not participate in incentive plans or receive any retirement benefits other than statutory superannuation contributions, where applicable.

There was no increase in either the Board or Committee fees during the 2023 financial year.

3.3 Non-Executive Director Shareholdings

Ordinary shares

Non-Executive Director	Shares held at 1 July	Acquired during the year	Sold during the year	Held at appointment/ resignation	Shares held at 30 June
2023					
Mr A Demetriou	200,000	-	-	-	200,000
Mr R Loveridge	656,364	-	-	-	656,364
Ms L McBain	115,000	-	-	-	115,000
2022					
Mr A Demetriou	200,000	-	-	-	200,000
Mr R Loveridge	656,364	-	-	-	656,364
Ms L McBain	115,000	-	-	-	115,000

3.4 Non-Executive Director Remuneration

Non- Executive Directors[4]	Board & Committee Fees $	Superannuation $	Transition Fee $	Total $
2023				
Mr A Demetriou	265,000	-	-	265,000
Mr R Loveridge	113,122	11,878	-	125,000
Ms L McBain	110,000	-	-	110,000
Dr K Shaw	110,000	-	-	110,000
	598,122	11,878	-	610,000
2022				
Mr A Demetriou	265,000	-	-	265,000
Mr R Loveridge	113,636	11,364	-	125,000
Ms N Sheffield [1]	31,538	3,154	-	34,692
Ms L McBain [2]	110,000	-	-	110,000
Dr K Shaw [3]	88,645	-	-	88,645
	608,819	14,518	-	623,337

[1] Ceased directorship 12 October 2021.
[2] Appointed 1 July 2021.
[3] Appointed 10 September 2021.
[4] Non-executive directors are paid via an associated entity or directly as an individual.

4. Additional Disclosures

4.1 KMP Shareholdings

Ordinary Shareholdings

During fiscal year 2023, Mr J Walter converted 2,385,280 performance rights into ordinary shares related to his fiscal year 2020 long term incentive. No other ordinary shares were held by KMP during the year ended 30 June 2023 (30 June 2022: nil).

Performance Rights

KMP	Performance Rights held at 1 July	Granted	Forfeited	Converted	Performance Rights held at 30 June
2023					
Mr J Walter	7,335,509	2,360,877	-	(2,385,280)	7,311,106
Mr C Bremner	-	696,616	-	-	696,616
2022					
Mr J Walter	5,351,382	1,984,127	-	-	7,335,509

Options

KMP	Options held at 1 July	Granted	Forfeited	Held at appointment resignation	Options held at 30 June
2023					
Mr C Bremner	2,410,000	-	-	-	2,410,000
2022					
Mr G Hughes[1]	1,500,000	1,500,000	(3,000,000)	-	-
Mr C Bremner	1,000,000	1,410,000	-	-	2,410,000

[1] Mr G Hughes ceased employment on 8 April 2022.

4.2 Executive Service Agreements

As at 30 June 2023, the CEO and Senior Executives all have written agreements with the Company setting out the key terms of their employment. The major provisions of those agreements are set out below:

Name	Term of Agreement	Notice Period Provided by Company	Notice Period Provided by Executive
Mr J Walter	Ongoing	6 months	6 months
Mr C Bremner	Ongoing	3 months	3 months

4.2.1 Managing Director & Chief Executive Officer

Mr Justin Walter was appointed Managing Director and Chief Executive Officer on 1 July 2019. Under the terms of the contract the CEO receives:

- FAR of $700,000 per annum (inclusive of superannuation).
- Maximum STI of 93.75% of FAR subject to achievement of agreed key performance indicators aligned with shareholders' interests.
- Eligibility to participate in LTI up to 100% of FAR in the form of performance rights vesting after 3 years subject to achievement of appropriate service and performance hurdles and to receiving appropriate shareholder support.

4.3 Share Trading and Hedge Prohibition

Performance Rights and Options granted under Capitol Health's LTI plan must remain at risk until fully vested. This is consistent with Capitol Health's share trading policy that prohibits directors and employees from engaging in:

- Short-term trading of any Capitol Health securities.
- Buying or selling Capitol Health securities if they possess unpublished price sensitive information.
- Trading in derivative products over Capitol Health's securities or entering transactions in products that limit the economic risk of their security holdings in Capitol Health.

4.4 Clawback Policy

In the event of serious misconduct or a material misstatement of Capitol Health's financial statements, the Board has the discretion to reduce, cancel or clawback any unvested STI or LTI.

4.5 Other Transactions and Balances with KMP and their Related Parties

During the financial year Mr Walter's spouse was engaged on commercial terms as a contractor within the business to provide specialist diagnostic technician services. The total amount payable for year ended 30 June 2023 was $53,470 excluding GST (2022: $25,321). There were no other transactions with Key Management Personnel or their related parties within the Group during the year.

No loans have been made to KMP during the 2023 financial year.

This is the end of the audited Remuneration Report.

Corporate Governance

The Capitol Health Corporate Governance Statement can be found at www.capitolhealth.com.au/corporate-governance.

Signed in accordance with a resolution of the Directors (s298(2) of the *Corporations Act 2001 (Cth))*

Justin Walter
Managing Director and Chief Executive Officer
Melbourne, Victoria
23 August 2023

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23 August 2023

Board of Directors
Capitol Health Limited
Level 2, 288 Victoria Parade
EAST MELBOURNE VIC 3002

Dear Board Members

Auditor's Independence Declaration to Capitol Health Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Capitol Health Limited.

As lead audit partner for the audit of the financial statements of Capitol Health Limited for the financial year ended 30 June 2023, 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.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke du Toit
Partner
Chartered Accountants

Consolidated Statement of Comprehensive Income

For the Year ended 30 June 2023

	Notes	2023 $000	2022 $000
Continuing Operations			
Revenue from contracts with customers	1.3	209,592	184,158
Wages, contractor costs and salaries	1.4	(134,595)	(114,610)
Occupancy costs		(6,516)	(4,742)
Medical equipment and consumable supplies		(13,010)	(10,184)
Service costs		(15,280)	(13,496)
Transaction and restructure costs		(1,619)	(1,000)
Unrealised foreign exchange gain	1.4	350	1,782
Investments' movement in fair value	1.4	(17,581)	(2,123)
Impairment of other non-current assets	1.4	(2,086)	-
Financial liabilities' movement in fair value	2.11	293	130
Depreciation and amortisation	1.4	(24,747)	(21,060)
Net finance costs	1.4	(4,875)	(2,906)
(Loss) / profit before Income Tax		**(10,074)**	**15,949**
Income tax expense	1.5	(1,199)	(4,981)
(Loss) / profit for the Year		**(11,273)**	**10,968**
Other comprehensive income			
Other comprehensive (loss) / income, net of income tax		**-**	**-**
Total comprehensive (loss) / income for the year		**(11,273)**	**10,968**
Attributable to:			
Equity holders of Capitol Health Limited		**(11,393)**	10,732
Non-controlling interests		**120**	236
Total comprehensive (loss) / income for the year		**(11,273)**	**10,968**
Basic (loss) / earnings per share (cents)	1.2	**(1.08)**	**1.04**
Diluted (loss) / earnings per share (cents)	1.2	**(1.08)**	**1.01**

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	2023 $000	2022 $000
Assets			
Cash and cash equivalents	2.1	19,118	13,384
Trade and other receivables	2.2	5,985	3,637
Investments		103	113
Other assets		2,261	1,797
Income tax receivable	1.5	-	1,176
Total Current Assets		**27,467**	**20,107**
Plant and equipment	2.3	58,333	44,464
Right-of-use assets	2.6	56,050	56,701
Intangible assets	2.4	174,179	125,111
Investments	2.5	1,950	19,181
Other receivables		216	294
Total Non-Current Assets		**290,728**	**245,751**
Total Assets		**318,195**	**265,858**
Liabilities			
Trade and other payables	2.8	22,460	11,507
Lease liabilities	2.7	11,624	10,346
Other financial liabilities	2.11	697	-
Employee benefit liabilities	2.10	12,423	11,685
Income tax liabilities	1.5	1,183	-
Total Current Liabilities		**48,387**	**33,538**
Borrowings	3.2	72,800	19,000
Lease liabilities	2.7	50,624	51,860
Other financial liabilities	2.11	2,782	3,771
Provisions	2.9	3,309	2,611
Employee benefit liabilities	2.10	401	437
Deferred tax liabilities[1)]	1.5	1,810	598
Total Non-Current Liabilities		**131,726**	**78,277**
Total Liabilities		**180,113**	**111,815**
Net Assets		**138,082**	**154,043**
Equity			
Issued capital	3.3	160,165	153,749
Reserves	3.5	2,706	1,048
Accumulated losses		(25,778)	(1,793)
Equity Attributable to the Owners of Capitol Health Limited		**137,093**	**153,004**
Non-controlling Interests		989	1,039
Total Equity		**138,082**	**154,043**

[1)] Deferred tax assets and liabilities are presented net for the current and prior year.

The Consolidated 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 2023

	Notes	2023 $000	2022 $000
Operating Activities			
Receipts from customers		208,381	184,874
Payments to suppliers and employees		(163,539)	(143,800)
Interest received		292	32
Interest and other finance charges on borrowings		(3,500)	(1,077)
Interest on lease liabilities	2.7	(1,667)	(1,861)
Income tax paid		(807)	(5,308)
Payment of transaction costs[1)]		(1,619)	(1,000)
Net cash flows generated from operating activities	2.1	**37,541**	**31,860**
Investing Activities			
Purchase of plant and equipment		(16,842)	(13,168)
Payments for business acquisitions and investments, net of cash	4.1	(45,776)	(700)
Net cash flows used in investing activities		**(62,618)**	**(13,868)**
Financing Activities			
Proceeds on exercise of options	3.3	-	4,270
Proceeds/(repayment) of secured loans		53,800	(10,000)
Payment of dividends	3.6	(10,541)	(10,388)
Payment of dividends to non-controlling interests		(170)	(209)
Cash payment of lease liabilities	2.7	(12,278)	(10,030)
Net cash flows used in financing activities		**30,811**	**(26,357)**
Net increase/(decrease) in cash and cash equivalents		**5,734**	**(8,365)**
Cash and cash equivalents at beginning of the year		13,384	21,749
Cash and cash equivalents at end of the year	2.1	**19,118**	**13,384**

1) Payment of transaction costs presented in operating activities were previously classified as cash flows used in investing activities.

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

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2023

	Issued Capital $000	Reserves $000	Accumulated (losses) / profit $000	Total $000	Non-controlling Interests $000	Total Equity $000
Balance at 1 July 2022	153,749	1,048	(1,793)	153,004	1,039	154,043
(Loss) / profit for the year	-	-	(11,393)	(11,393)	120	(11,273)
Other Comprehensive (loss) / income for the year	-	-	-	-	-	-
Total Comprehensive (loss) / income	**-**	**-**	**(11,393)**	**(11,393)**	**120**	**(11,273)**
Transactions with Equity Holders						
Conversion of performance rights	434	(434)	-	-	-	-
Share issue costs (net of tax)	(18)	-	-	(18)	-	(18)
Share issue	6,000	-	-	6,000	-	6,000
Options not exercised	-	(324)	324	-	-	-
Share-based payments	-	2,416	(2,375)	41	-	41
Dividend paid	-	-	(10,541)	(10,541)	(170)	(10,711)
Total Transactions with Equity Holders	**6,416**	**1,658**	**(12,592)**	**(4,518)**	**(170)**	**(4,688)**
Balance at 30 June 2023	**160,165**	**2,706**	**(25,778)**	**137,093**	**989**	**138,082**
Balance at 1 July 2021	**148,631**	**98**	**(2,993)**	**145,736**	**292**	**146,028**
Profit for the year	-	-	10,732	10,732	236	10,968
Other Comprehensive Loss for the year	-	-	-	-	-	-
Total Comprehensive Income	**-**	**-**	**10,732**	**10,732**	**236**	**10,968**
Transactions with Equity Holders						
Exercise of a put option	-	1,828	-	1,828	-	1,828
Exercise of options	4,270	-	-	4,270	-	4,270
Share issue costs (net of tax)	(18)	-	-	(18)	-	(18)
Conversion of issued options/rights	866	(866)	-	-	-	-
Options not exercised	-	(856)	856	-	-	-
Put option from sale/purchase	-	(420)	-	(420)	420	-
Shares transferred to third parties	-	-	-	-	298	298
Share-based payments	-	1,264	-	1,264	-	1,264
Dividend paid	-	-	(10,388)	(10,388)	(209)	(10,597)
Total Transactions with Equity Holders	**5,118**	**950**	**(9,532)**	**(3,464)**	**509**	**(2,955)**
Balance at 30 June 2022	**153,749**	**1,048**	**(1,793)**	**153,004**	**1,039**	**154,043**

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

About this Report

Overview

Capitol Health Limited (the "Company" or "Capitol Health") 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 2023 comprises the Company and its subsidiaries (together referred to as the Group).

The Group is principally engaged in the provision of diagnostic imaging services. Further information of the nature of the operations and principal activities of the Group is provided in the Directors' Report.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 23 August 2023.

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB"), and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of preparation

The financial report has been prepared on a historical cost basis, except for equity financial assets that have been measured at fair value.

The financial report is presented in Australian dollars and all balances and transactions included in the financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which each entity operates ("the functional currency"). The functional and presentation currency of Capitol Health Limited and the Group is the Australian Dollar.

Going Concern

The financial statements have been prepared on a going concern basis. For the year ended 30 June 2023, the consolidated entity made a net loss after tax of $11.3 million (30 June 2022 net profit after tax: $11.0 million) and had net current liabilities of $20.9 million (30 June 2022: $13.4 million).

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

a) the consolidated entity has sufficient working capital to enable it to meet its objectives and financial obligations. Net unutilised available funding through its secured banking facilities totals $62.4 million.

b) the consolidated entity generated net operating cash inflow for the year ended 30 June 2023 of $37.5 million (30 June 2022: $31.9 million).

c) the consolidated entity loss has been driven by a material non-cash fair value adjustment which decreased the carrying value of the Enlitic investment by $17.6 million.

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

Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 relating to the "rounding off". Amounts presented in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

About this Report (cont'd)

Comparative Information

The consolidated financial statements provide comparative information in respect of the previous year. Where applicable comparative amounts have been adjusted to conform to changes in presentation in the current year. In addition, where required, the Group presents an additional Statement of Financial Position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Capitol Health Limited and its subsidiaries as at 30 June 2023 and the results of all subsidiaries for the year then ended. Subsidiaries are all those investees over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and could affect those returns through its power to direct the relevant activities of the investee.

Generally, there is a presumption that most voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognised in the Statement of Comprehensive Income. Any investment retained is recognised at fair value.

Section 1 – Our performance

A key element of Capitol Health's strategy is to maximise long-term shareholder value. This section highlights the results and performance of the Group for the year ended 30 June 2023 with details of the key elements of the consolidated Statement of Comprehensive Income, earnings per share, accounting policies and key assumptions.

1.1. Group Results

	2023 $000	2022 $000
Revenue from contracts with customers	209,592	184,158
Earnings before interest, tax, depreciation, and amortisation	19,547	39,915
Earnings before interest and tax	(5,200)	18,855

1.2. Basic and diluted earnings per share ("EPS")

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

	2023 $000	2022 $000
(Loss) / profit for the year	(11,273)	10,968
Other comprehensive income	-	-
Non-controlling interest	(120)	(236)
Profit attributable to ordinary equity holders of Capitol Health Limited:	**(11,393)**	**10,732**
Weighted average ordinary shares used as the denominator in calculating:	**Number**	Number
Basic earnings	1,053,656,696	1,035,504,993
Effect of dilution from share options	-	24,612,249
Diluted earnings	1,053,656,696	1,060,117,242
	Cents[1)]	Cents
Earnings per share – Continuing operations:		
Basic	**(1.08)**	1.04
Diluted	**(1.08)**	1.01

[1)]Negative consolidated earnings resulted in equivalent basic and diluted EPS.

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

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

1.3. Revenue from contracts with customers

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

	2023 $000	2022 $000
Major service category		
Diagnostic imaging services	208,499	184,085
Other operating revenue	1,093	73
	209,592	**184,158**

Accounting policy for revenue recognition

The Group provides diagnostic imaging services to the Australian healthcare market, through the operation of clinics in Victoria, Tasmania, Western Australia, and South Australia. Revenue from services provided is recognised when the service is rendered, and payment is either rebated via Medicare or payable on date of service.

As a health service provider, the Group does not have volume rebates, rights of return, warranties, or contracts with significant financing components.

1.4. Expenses

Employee benefits expenses	2023 $000	2022 $000
Wages, contractor costs and salaries	(115,448)	(98,766)
Employee leave entitlements	(9,124)	(8,322)
Superannuation expenses	(7,607)	(6,258)
Share-based employment expense	(2,416)	(1,264)
	(134,595)	**(114,610)**

Depreciation and Amortisation	Note	2023 $000	2022 $000
Amortisation of right-of-use assets	2.6	(11,418)	(10,283)
Depreciation of plant and equipment	2.3	(10,813)	(9,419)
Amortisation of intangible assets	2.4	(2,237)	(1,200)
Amortisation - other		(279)	(158)
		(24,747)	**(21,060)**

Investments' movement in fair value	Note	2023 $000	2022 $000
Fair value movement regarding unlisted investments	2.5	(17,581)	(2,123)
Unrealised foreign exchange gain/(loss)	2.5	350	1,782
		(17,231)	**(341)**

Impairment of other non-current assets	Note	2023 $000	2022 $000
Impairment – plant and equipment	2.3	(757)	-
Impairment – right of use assets	2.6	(1,329)	-
		(2,086)	**-**

1.4. Expenses (cont'd)

Key estimates and judgements – Impairment of other non-current assets

The impairment recognised in the current period relates to:

Our operations in Western Australia. The Group is focused on continuing to improve the performance of our clinics in this region, however, their recent results and uncertainty arising from the current environment, has resulted in its right-of-use assets and plant and equipment being impaired. In determining the impairment charge, the Group calculated the recoverable amount of each clinic in the Western Australia region based on a discounted cash flow model. The recoverable amount of each clinic was determined using assumptions that reflect market conditions, industry trends and the Group's approved budget. The decrease in the recoverable amount of individual Western Australia clinics reflects general practitioner referrals, availability of staff and other economic trends such as the rise of interest rates.

The assessment of the recoverable amount represents management's best estimate, considering risks, uncertainties, and opportunities for improvement in each Western Australia clinic. Management will continue to monitor the regions operations against these estimates, and it is possible that future asset impairments may be required. For the clinics where the plant and equipment and right-of-use assets were impaired, any reasonably possible change in assumptions may result in a maximum additional impairment charge of $1.9 million.
The value of the maximum additional impairment charge has been calculated using assumptions and cash flow projections where the growth rate for fiscal year 2024 budget has been sensitised.

Further, a lease agreement for a decommissioned Victorian clinic where future lease payments are inevitable exceeds the expected economic benefits associated to the right-of-use-asset.

Finance costs	Note	**2023 $000**	2022 $000
Lease interest	2.7	(1,667)	(1,861)
Interest on borrowings		(3,116)	(1,069)
Interest income		292	32
Other interest and fees		(384)	(8)
		(4,875)	**(2,906)**

Accounting policy for borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.5. Taxation

Income tax expense	2023 $000	2022 $000
The major components of income tax expense are:		
Current income tax expense	(3,181)	(2,207)
Deferred income tax expense	(1,219)	(2,716)
Deferred tax asset related to unused franking credits	3,201	(326)
Current income tax benefit - prior year	-	268
Income tax expense reported in the Statement of Comprehensive Income	**(1,199)**	**(4,981)**

Reconciliation of income tax expense	2023 $000	2022 $000
Accounting (loss) / profit before income tax from continuing operations	(10,074)	15,949
Prima facie income tax benefit / (expense) at 30% (2022: 30%)	3,022	(4,785)
Tax effect of permanent differences:		
Net capital costs	(527)	(109)
Fair value movement of unlisted investments, net of foreign exchange movements	(5,170)	(102)
Valuation of share options granted	(269)	(233)
Other items	1,745	248
Income tax expense attributable to profit from continuing operations and reported in the Statement of Comprehensive Income	**(1,199)**	**(4,981)**

Accounting policy for income tax expense or benefit

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by the changes in deferred taxes attributable to temporary differences, unused tax losses and the adjustment recognised in prior periods, when applicable.

Current income tax	2023 $000	2022 $000
Income tax receivable	177	1,428
Income tax liability	(1,360)	(252)
Income tax receivable / (payable), net	(1,183)	1,176

Accounting policy for current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the jurisdictions where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

1.5. Taxation (cont'd)

Deferred tax assets and liabilities [1], [2]	2023 Item $000	2023 At 30% $000	2022 Item $000	2022 At 30% $000
Deferred tax assets:				
Employee benefits	12,815	3,845	12,280	3,684
Other assets	110	33	708	212
Leases	318	95	315	94
Make good provision	900	270	723	217
Tax losses of subsidiary	591	177	563	169
Accrued expenses and other items	14,547	4,365	3,171	952
Total deferred tax assets	**29,280**	**8,785**	**17,760**	**5,328**
Deferred tax liabilities:				
Intangible assets	(15,235)	(4,570)	(4,821)	(1,446)
Plant and equipment	(19,044)	(5,715)	(14,349)	(4,305)
Prepayments	(100)	(30)	(35)	(10)
Leases	(918)	(275)	(513)	(154)
Other Items	(17)	(5)	(35)	(11)
Total deferred tax liabilities	**(35,314)**	**(10,595)**	**(19,753)**	**(5,926)**

[1] The Group has no unrecognised temporary differences at 30 June 2023 (2022: Nil).

[2] The Group has carried forward operating losses of $12,136,122 at 30 June 2023 (2022: $902,624) and a deferred tax asset has been recognised. The operating losses are expected to be available to offset against the future income subject to the Group continuing to meet statutory tests.

The Group has carried forward capital losses of $19,010,580 (2022: $19,010,580). A deferred tax asset was not recognised for the loss. The capital losses are expected to be available to offset against future capital gains subject to the Group continuing to meet statutory tests.

	2023 $000	2022 $000
Net deferred tax asset / (liability)	(1,810)	(598)
Movement represented by:		
Recognised in Statement of Comprehensive Income	(1,365)	(616)
Recognised in Business Acquisitions	(445)	18
Total net deferred tax asset	**(1,810)**	**(598)**

Key estimates and judgements - Taxation

The Group is subject to income tax in Australia. The calculation of the Groups' tax charge requires management to determine whether it is probable that there will be sufficient future taxable profits to recover deferred tax assets. *AASB Interpretation 23 – Uncertainty over Income Tax Treatment* addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of the recognition and measurement criteria in *AASB 112 – Income Taxes*. Judgements and assumptions are subject to risk and uncertainty, hence if the final tax determination or future actual results do not align with current judgements, this may have an impact on the carrying value of deferred tax balances and corresponding credits or charges to the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position.

1.5. Taxation (cont'd)

Accounting policy for deferred taxes

Deferred tax is accounted for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities under financial reporting and taxation purposes. Deferred tax is measured at the rates that are expected to apply in the period in which the liability is settled or asset realised, based on tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit or in relation to the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case, the tax is also recognised directly in equity.

Australian Tax Consolidated Group

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

In the financial statements we have combined the tax obligations of the tax consolidated group together with the tax obligations of Adrad Investments SA Pty Ltd, Imaging @ Olympic Park Pty Ltd, Lime Avenue Radiology Pty Ltd, Capital Radiology (Pakenham) Pty Ltd and Capital Heart Pty Ltd to arrive at the total tax position as disclosed in the financial statements.

The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

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.

In addition to its own current and deferred tax amounts, Capitol Health Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

1.5. Taxation (cont'd)

Accounting policy for goods and services tax ("GST")

Revenues, expenses, and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable.
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Section 2 – Our assets and liabilities

This section highlights our trade and other receivables in contrast with our trade and other payables incurred to support the Group's activities. Further, this section provides information on the assets used by the Group to generate operating profits and the liabilities incurred.

2.1. Cash and Cash Equivalents

	2023 $000	2022 $000
Cash at bank	19,100	13,366
Cash on hand	18	18
	19,118	**13,384**

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Reconciliation to net cash flows from operations:	**2023** **$000**	2022 $000
(Loss) / profit before income tax	**(10,074)**	**15,949**
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	24,747	21,060
Movement in fair value of investments	17,581	2,123
Gain on disposal of plant and equipment	(825)	-
Impairment of non-current assets	2,086	-
Financial liabilities movement	(292)	(130)
Share-based payment expense	2,416	1,264
Unrealised foreign exchange loss/(gain)	(350)	(1,782)
Other non-cash expense	223	-
Working capital adjustments:		
(Increase) / Decrease in trade and other receivables	(899)	770
(Increase) / Decrease in other net assets	(462)	269
Increase/(Decrease) in trade payables	5,099	(3,212)
Increase/(Decrease) in lease liabilities	42	(2,860)
Decrease in employee benefit liabilities	(1,053)	(898)
Decrease in provisions	(698)	(693)
Net cash flows from operating activities	**37,541**	**31,860**

Accounting policy for cash and short-term deposits

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.2. Trade and other receivables

	2023 **$000**	2022 $000
Trade receivables[1)]	5,455	3,211
Allowance for expected credit loss	(427)	(148)
	5,028	**3,063**
Other receivables	957	574
	5,985	3,637

[1)] All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The movement in the allowance for credit losses can be reconciled as follows:

	2023 **$000**	2022 $000
Reconciliation of allowance for expected credit losses		
Balance 1 July	148	159
Provision for expected credit loss	283	39
Write- off	(4)	(50)
	427	**148**

Key estimates and judgements - Expected credit losses ("ECL")

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings by customer type that have similar loss patterns.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate and based on management judgement.

Accounting policy for trade and other receivables

Trade and other receivables are amounts due from customers for services rendered. They are generally due for settlement withing 30-60 days and are therefore all classified as current. Trade receivables are initially recognised at the amount of the consideration that is unconditional. The Group holds these receivables to collect the contractual cash flows and thus subsequently measure these at amortised cost less any loss allowance. Due to the short-term nature of these receivables, their carrying amount is assumed to approximate fair value. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

2.3. Plant and equipment

	Leasehold Improve-ments [1]	Plant & Equipment [1]	Other Operating Assets	Assets Under Construction (AUC)	Total
	$000	$000	$000	$000	$000
At 1 July 2022 (net)	11,297	31,952	1,053	162	44,464
Additions	3,042	14,510	289	1,115	18,956
Disposals	(13)	(402)	(774)	-	(1,189)
Acquisition of business or subsidiary	669	6,588	415	-	7,672
Depreciation for period	(1,523)	(9,138)	(152)	-	(10,813)
Impairment charge	-	(757)	-	-	(757)
At 30 June 2023 (net)	**13,472**	**42,753**	**831**	**1,277**	**58,333**
At 30 June 2023					
Cost value	20,312	81,603	1,373	1,277	104,565
Accumulated depreciation and impairment charge	(6,840)	(38,850)	(542)	-	(46,232)
Total	**13,472**	**42,753**	**831**	**1,277**	**58,333**

At 1 July 2021 (net)	11,806	26,981	1,530	834	41,151
Additions	-	-	-	13,092	13,092
Transfers	1,079	12,665	20	(13,764)	-
Disposals	(326)	(589)	(4)	-	(919)
Acquisition of business or subsidiary	153	378	28	-	559
Depreciation for period	(1,415)	(7,483)	(521)	-	(9,419)
At 30 June 2022 (net)	**11,297**	**31,952**	**1,053**	**162**	**44,464**
At 30 June 2022					
Cost value	16,614	61,132	1,443	162	79,351
Accumulated depreciation	(5,317)	(29,180)	(390)	-	(34,887)
Total	**11,297**	**31,952**	**1,053**	**162**	**44,464**

[1] Plant & equipment and leasehold improvements have been pledged as security for the Company's other bank borrowings. Refer to note 3.2.

Key estimates and judgements – 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 based on market and industry conditions. As conditions change in the radiology market, the Group adjusts the useful lives of their assets to reflect these changes. The residual values, useful lives and methods of depreciation of equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Key estimates and judgements – Recoverability of plant and equipment

The group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include performance, technology, social, economic, and political environments including future expectations. If an impairment trigger exists, the recoverable amount would be subject to an impairment assessment.

Accounting policy for plant and equipment

Recognition and Measurement

Plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in Statement of Comprehensive Income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Assets under construction

Costs that are necessarily incurred whilst commissioning a new asset, in the period before they are capable of operating in the manner intended by management, are capitalised as assets under construction. Upon completion of the asset and all associated costs being recognised, the assets under construction are transferred to the correct plant and equipment classification at which point it is accounted for in accordance with AASB 116.

Depreciation

Depreciation is recognised in Statement of Comprehensive Income on a diminishing-value or straight-line basis for each item of plant and equipment over their estimated useful lives as follows:

Leasehold improvements	3 to 10 years
Plant and equipment	3 to 15 years
Other operating assets	3 to 5 years

Leasehold improvements are depreciated over either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation methods, useful lives and residual values of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.4. Intangible assets

	Goodwill	Brand Names	Referrer Relationships[2]	Software	TOTAL
	$000	$000	$000	$000	$000
At 1 July 2022	116,918	1,258	6,241	694	125,111
Acquisition of entities and businesses[1]	40,377	2,771	7,791	366	51,305
Amortisation charge	-	-	(1,815)	(422)	(2,237)
At 30 June 2023	**157,295**	**4,029**	**12,217**	**638**	**174,179**
Cost value	157,295	4,029	17,352	2,099	180,775
Accumulated amortisation & impairment	-	-	(5,135)	(1,461)	(6,596)
Total at 30 June 2023	**157,295**	**4,029**	**11,005**	**638**	**174,179**
At 1 July 2021	116,642	1,258	6,999	1,136	126,035
Acquisition of entities and businesses[1]	276	-	-	-	276
Amortisation charge	-	-	(758)	(442)	(1,200)
At 30 June 2022	**116,918**	**1,258**	**6,241**	**770**	**125,111**
Cost value	116,918	1,258	9,561	1,733	129,471
Accumulated amortisation & impairment	-	-	(3,320)	(1,039)	(4,359)
Total at 30 June 2022	**116,918**	**1,258**	**6,241**	**694**	**125,111**

[1] Details of the acquisition of entities and businesses is included in Section 4.

[2] Relationships with referrers are capable of being separated or divided and are considered an asset within the radiology industry. The Referrer Relationships intangible asset reflects the revenue stream from referrers on forwarding patients to a clinic and reflect the relationships that the clinics and the Company's doctors and medical technicians have established with the referrers and the patients over time.

Key estimates and judgements – Impairment of Goodwill and other intangibles

Management consider that the Groups' operations have identifiable cash flows representing one group of CGUs. The recoverable amount of the group of cash generating units ("CGUs") has been determined based on value in use calculations using cash flow projections up to a period of 5 years.

The value in use calculation uses assumptions including cash flow projections based on the Board approved projection for fiscal year 2024 and forecasts for a further 4 years which are extrapolated in using an average growth rate of 6.68% (2022: 2%) and terminal value growth rate of 2.5% (2022: 2.5%). The average growth rate is based on the expected Medicare indexation combined with the expected increase in volumes for the industry.

The discount rate (pre-tax) used to determine recoverable amounts as at 30 June 2023 for the CGU was 9.2% (2022: 11.4%). The discount rate includes the current actual cost of debt and equity cost based on market comparatives which is lower than prior year.

Management have used their current expectations and what is considered reasonably achievable when assigning values to key assumptions in their value in use model.

Accounting policy for intangible assets

Goodwill

- Initially measured at cost, being the excess of the costs of the business combination over the Group's interest in the net fair value of the acquired identifiable assets, liabilities, and contingent liabilities.
- Subsequently measured at cost less any accumulated impairment losses; and
- Reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the group of CGUs, to which the goodwill relates. When the recoverable amount is less than the carrying amount, an impairment loss is recognised.

Other intangible assets

- Other intangible assets such as referrer relationships and brand names are recognised on acquisition, where applicable.
- Referrer relationships are stated at cost less accumulated amortisation. Amortisation is charged on a straight-line basis over the estimated useful life of eight years.
- Brand names are assessed as having an indefinite life and measured at cost less any accumulated impairment losses.

Internally generated intangibles are not capitalised, and the related expenditure is reflected in the Statement of Comprehensive Income in the period in which the expenditure is incurred.

Annual impairment assessment for non-current assets

Impairment is determined by assessing the recoverable amount of the group of CGUs, to which the goodwill and all intangible assets with indefinite lives have been allocated as they are expected to benefit from the synergies of the business combination.

Sensitivity analysis indicates that no reasonably possible change in key assumptions would result in an impairment loss. Accordingly, the Group has concluded that no impairment is required based on current market and economic conditions and expected future performance.

Impairment of intangible assets

Assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets that have an indefinite useful live (including goodwill) or not yet ready for use are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired.

An impairment loss is recognised in the statement of comprehensive income for the amounts by which the asset's carrying amount exceeds its recoverable amount.

2.5. Investments

The Group has an investment in Enlitic Inc, a USA based healthcare data solutions business.

	2023 $000	2022 $000
Non-current		
Investment in unlisted entity	**1,950**	**19,181**
Movement in Investment in unlisted entity		
Fair value – opening balance	19,181	19,522
Investment during the year		
Unrealised foreign exchange gain/(loss)	350	1,782
Fair value movement	(17,581)	(2,123)
Fair value – closing balance	**1,950**	**19,181**

Key estimates and judgements – Investment in unlisted entity

The investment is accounted at fair value through profit or loss in the Statement of Comprehensive Income under *AASB 9 – Financial Instruments* requirements because the Group does not have significant influence over the operations of the entity.

The measurement of the investment is categorised as a level 3 in the fair value measurement hierarchy which means that inputs are unobservable. Hence, the value of the Group's investment in Enlitic at 30 June 2023 and 2022 is based on an independent expert valuation report.

The fair value assessed at 30 June 2023 may be impacted by subsequent events that could have a material impact on this valuation.

Fair value movement

In the first half of the 2023 calendar year, Enlitic closed its Series C preferred equity financing. Capitol Health's decision to not participate in the raise reflects its strategic plan to focus on the growth of domestic operations and ongoing strong fiscal stewardship. The series C preferred shares, associated bonus shares and warrants, diluted and subordinates the Group's shareholding in Enlitic.

Based on the above, our independent valuers modified their valuation technique from a discounted cash flow approach to Enlitic's preferred equity C series raising as a proxy of fair value because it reasonably reflects the expected future economic returns. Further, the movement in the Enlitic's company value between capital raise and 30 June 2023 considered the movement in market indicators such as relevant exchange in trade funds and market capitalisation of comparable companies.

Accounting policy for other financial assets

Financial assets at fair value through profit or loss in the Statement of Comprehensive Income include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Statement of Comprehensive Income.

Accounting policy for other financial assets (cont'd)

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments are also recognised as other income in the Statement of Comprehensive Income when the right of payment has been established.

The Group does not have any other financial assets and accordingly does not have any financial assets treated at fair value through OCI, either with recycling or not, of cumulative gains and losses (debt instruments).

2.6. Right of use assets

	Property Leases $000	Equipment Leases $000	Total $000
At 1 July 2022	53,911	2,790	56,701
New leases entered during the period	10,175	1,152	11,327
Remeasured and modified leases	1,199	(430)	769
Amortisation charge	(10,199)	(1,219)	(11,418)
Impairment charge	(1,329)	-	(1,329)
At 30 June 2023	**53,757**	**2,293**	**56,050**
Cost value	87,792	4,843	92,635
Accumulated amortisation	(34,035)	(2,550)	(36,585)
Total at 30 June 2023	**53,757**	**2,293**	**56,050**

At 1 July 2021	56,226	2,785	59,011
New leases entered during the period	2,699	1,038	3,737
Remeasured and modified leases	4,334	-	4,334
Terminated leases	(98)	-	(98)
Amortisation charge	(9,250)	(1,033)	(10,283)
At 30 June 2022	**53,911**	**2,790**	**56,701**
Cost value	78,859	4,509	83,368
Accumulated amortisation	(24,948)	(1,719)	(26,667)
Total at 30 June 2022	**53,911**	**2,790**	**56,701**

2.7. Lease liability

	2023 $000	2022 $000
Lease Liabilities		
Current	11,624	10,346
Non-current	50,624	51,860
Lease liabilities	**62,248**	**62,206**

Undiscounted maturity analysis

	2023 $000	2022 $000
Year 1	12,031	10,615
Year 2	12,157	12,847
Year 3	10,395	11,033
Year 4	9,824	10,206
Year 5	8,625	10,403
Onwards	17,970	13,090
	71,002	**68,194**

2.7 Lease liability (cont'd)

Lease liability	**Property Leases** $000	**Equipment Leases** $000	**Total** $000
At 1 July 2022	(56,883)	(5,323)	(62,206)
Interest expense	(1,499)	(168)	(1,667)
New leases entered during the period	(10,174)	(1,152)	(11,326)
Remeasured and modified leases	(794)	(220)	(1,014)
Terminated leases	20	-	20
Cash payments	10,652	3,293	13,945
At 30 June 2023	**(58,678)**	**(3,570)**	**(62,248)**
Current	(9,417)	(2,207)	(11,624)
Non-current	(49,261)	(1,363)	(50,624)
Total at 30 June 2023	**(58,678)**	**(3,570)**	**(62,248)**

At 1 July 2021	(58,337)	(6,729)	(65,066)
Interest expense	(1,613)	(248)	(1,861)
New leases entered during the period	(2,699)	(739)	(3,438)
Remeasured and modified leases	(3,851)	-	(3,851)
Terminated leases	119	-	119
Cash payments	9,498	2,393	11,891
At 30 June 2022	**(56,883)**	**(5,323)**	**(62,206)**
Current	(8,246)	(2,100)	(10,346)
Non-current	(48,637)	(3,223)	(51,860)
Total at 30 June 2022	**(56,883)**	**(5,323)**	**(62,206)**

Key estimates and judgements – Incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, and therefore it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR used by the Group reflects the interest rate the Group pays on its existing loan facilities at the date the lease was entered into. The Group's weighted average incremental borrowing rate ("IBR") used during the year ended 30 June 2023 was 3.5% (FY22: 2.6%).

Key estimates and judgements – Extension options

The Property leases in relation to the medical imaging clinics and offices contain extension options exercisable by the Group for periods up to 6 months before the end of the non-cancellable contract period. The extension options held are exercisable only by the Group and not by the lessors. The Group determines the lease term as the non-cancellable term of the lease together with the period covered, where applicable, by one additional lease extension term. This allows for flexibility in terms of the continued business operations at that site on a commercial basis. The Group reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant change in circumstances within its control.

The Group also leases diagnostic imaging equipment. On average, these leases typically run for a period of 5 to 7 years and do not have options to extend or vary lease terms.

Accounting policy for leases

Group as a lessee

AASB 16 distinguishes leases and service contracts based on whether a customer controls an identified asset. Where there is an identified asset, a right-of-use asset and a corresponding liability have been recognised for all leases (ie. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The Group also has certain leases with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.8. Trade and other payables

	2023 $000	2022 $000
Current		
Trade creditors	8,270	3,147
Other creditors and accruals	14,190	8,360
	22,460	**11,507**

Accounting policy for trade and other payables

Trade and other payables are carried at their principal amounts, are not discounted, and include GST. They represent amounts owed for goods and services provided to the Group prior to, but were not paid for, at the end of the financial year. The amounts are generally unsecured and are usually paid withing 30-60 days of recognition.

2.9. Provisions

	2023 $000	2022 $000
Non-current		
Insurance provision	165	-
Lease property make good allowance	3,144	2,611
	3,309	**2,611**

	2023 $000	2022 $000
Balance at 1 July	2,611	2,455
Additions	698	156
Balance at 30 June	**3,309**	**2,611**

Accounting policy for insurance provision

Insurance policies are entered into to cover various insurable risks. These policies have varying levels of deductibles. The insurance provision is made to cover deductibles arising from claims where probable future economic outflows can be reliably measured at reporting date.

Accounting policy for provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.10. Employee Benefit Liabilities

	2023 $000	2022 $000
Current		
Annual leave	7,026	6,827
Long service leave	5,397	4,858
	12,423	**11,685**
Non-current		
Long service leave	401	437
	401	**437**

Key estimates and judgements – Long service leave

The calculation of long service leave has been based on estimates and judgements made by management. These estimates mainly relate to employee retention rates, salary increases and discount rates. Should any of these estimates or judgements significantly change this could have a material effect on the amount recognised.

Accounting policy for employee benefit liabilities

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave and annual leave (plus oncosts) measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2.11. Other Financial Liabilities

	2023 $000	2022 $000
Current		
Other financial liabilities [1]	697	-
Non-current	2,782	3,771
Other financial liabilities [1]		
	3,479	3,771

[1] Other financial liabilities, in respect of put options of non-wholly owned entities, have been valued at fair value through the profit or loss in accordance with *AASB 132 - Financial Instruments: Presentation*.

	2023 $000	2022 $000
Balance at 1 July	3,771	5,081
Acquired (paid)	-	(1,180)
Fair value movement	(292)	(130)
Balance at 30 June	**3,479**	**3,771**

Accounting policy for other financial liabilities recognised in a business combination

A financial liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Section 3 – Our financing and capital structure

This section contains details of the way the business is financed including details around debt and equity, the key financial risks that Capitol Health faces and how they are managed, and accounting policies and key assumptions relevant to borrowings and equity.

3.1. 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 Group.

The Board is 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.

In order to achieve this overall objective, Group's capital management, amongst other things aims to ensure that it meets its financial covenants attached to the interest-bearing loans and borrowings that defined the capital structure requirements. Breaches in meeting the financial covenants would permit the bank to call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current financial year.

In addition, as part of its on-going capital management program, Capitol Health operates an on-market share buy-back arrangement that was first announced on 18 August 2017 and in August 2022 was extended to 4 September 2023. At that time, the maximum number of shares able to be bought back by the Company was increased to 54,477,707 within the '10/12 limit'. While not utilised during the 2023 financial year the buy-back scheme remains important to the Group to maintain the maximum amount of flexibility regarding its capital management strategies to enhance value for shareholders and at 30 June 2023 it has the ability to buy-back 54,477,707 ordinary shares over a 12-month period to 4 September 2023.

3.2. Borrowings

	2023 $000	2022 $000
Non-current		
Borrowings	72,800	19,000
	72,800	**19,000**

Utilisation of secured facilities	**Facility** $000	**Utilised** $000	**Available** $000
2023			
Secured bank loan[1)]	130,000	72,800	57,200
Equipment financing	5,000	1,237	3,763
Bank guarantee facility	4,000	2,540	1,460
At 30 June 2023	**139,000**	**76,577**	**62,423**
2022			
Secured bank loan[1)]	130,000	19,000	111,000
Equipment financing	5,000	1,947	3,053
Bank guarantee facility	4,000	1,895	2,105
At 30 June 2022	**139,000**	**22,842**	**116,158**

[1)]Includes $30.0 million Accordion facility

3.2. Borrowings (cont'd)

Borrowings include the following financial liabilities secured by leasehold improvements and equipment owned by the Company:

		Current		Non-current	
		2023	2022	**2023**	2022
	Note	**$000**	$000	**$000**	$000
Carrying amount at amortised cost:					
External bank borrowings	3.2	-	-	72,800	19,000
Lease liabilities	2.7	11,624	10,346	50,624	51,860
		11,624	**10,346**	**123,424**	**70,860**
Carrying amount at fair value:					
External bank borrowings	3.2	-	-	72,800	19,000
Lease liabilities	2.7	11,624	10,346	50,624	51,860
		11,624	**10,346**	**123,424**	**70,860**

Accounting policy for borrowings

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Subsequently, measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of Comprehensive Income over the term of the interest-bearing liability using the effective interest rate ("EIR") method.

The carrying amount of the external borrowings is a reasonable approximation of the fair value.

Bank facility terms

Financial Year 2023

The Group's current loan facility with National Australia Bank commenced on 31 March 2022 and it is not due to mature until May 2026.

During the financial year 2023, the Group increased its borrowings outstanding by $53.8 million in support of the acquisition of Future Medical Imaging Group and operating cash requirements such that the total borrowings at 30 June 2023 was $72.8 million.

The bank facility totalling $139.0 million is made up as follows:

- Cash advance facility limit up to $100.0 million for a period of 4 years.
- Bank guarantee facilities with a limit of $4.0 million.
- Equipment leasing facilities with limit of $5.0 million.
- Accordion facility of up to $30.0 million (uncommitted).

Current interest rates are variable and average 4.2% during the year (2022: 1.5%).

Financial Year 2022

The Group's current loan facility with National Australia Bank commenced on 31 March 2022 and it is not due to mature until May 2026. The renegotiation of the facility was not considered substantial.

During the financial year 2022, the Group completed a payment of $10.0 million reducing the net borrowing outstanding balance at 30 June 2022 to $19.0 million.

The bank facility totalling $139.0 million is made up as follows:

- Cash advance facility limit up to $100.0 million for a period of 4 years.
- Bank guarantee facilities with a limit of $4.0 million.
- Equipment leasing facilities with limit of $5.0 million.
- Accordion facility of up to $30.0 million (uncommitted)

Current interest rates are variable and average 1.5% during the year (2021: 2.3%).

The Group complied with all applicable financial covenant requirements throughout the financial year.

3.3. Issued Capital

	2023 $000	2022 $000
Issued Capital [1]	**160,165**	**153,749**

	2023 Number of shares	**2023 $000**	2022 Number of shares	2022 $000
Balance at 1 July	1,042,217,512	153,749	1,028,097,512	148,631
Exercise of options	-	-	11,239,561	4,270
Conversion of options/performance rights	2,385,280	434	2,880,439	866
Shares issued on acquisition[1]	18,919,746	6,000	-	-
Share issue costs (after tax)	-	(18)	-	(18)
	1,063,522,538	160,165	1,042,217,512	153,749
Less: Treasury shares [2]	(2,347,752)	**-**	(2,347,752)	**-**
Less: Treasury shares [3]	(610,314)	**-**	-	**-**
Balance at 30 June	**1,060,564,472**	**160,165**	**1,039,869,760**	**153,749**

[1] The company does not have authorised capital or par value in respect of its issued shares.

[2] In the fiscal year 2021 the Group allocated 2,347,752 shares as deferred consideration in connection with the acquisition of Direct Radiology. These shares are presently held in Escrow with a scheduled release date in August 2023. It is of note that the release of these shares is contingent upon the fulfillment of stipulated revenue targets and the satisfaction of ongoing employment criteria. As of the specified date, the shares will not be released due to the non-fulfillment of the conditions.

[3] A total of 610,314 fully ordinary shares were issued in association with the acquisition of Future Medical Imaging Group which remain in escrow for up to 24 months. The fair value of these shares is treated as a post-employment cost and will be accumulated in the Share-Based Payment Reserve

Accounting policy for treasury shares

The Group's own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the Statement of Comprehensive Income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share-based payments reserve.

3.4. Performance Rights and Options

Employee Incentive Option Plan

Capitol Health Limited operates an incentive plan known as the Capitol Health Limited Employee Incentive Plan ("Plan") which was approved by shareholders at the annual general meeting held on 16 November 2021. The Plan enables the Company to grant equity awards to eligible participants, in the form of performance rights and/or options (together, "Awards") over Company shares.

The maximum number of awards that can be granted under the Plan is determined by the Board in its discretion and in accordance with the Plan and applicable law. Awards issued under the Plan can be satisfied by the issue of new shares by the Parent Entity or by purchasing shares on-market for allocation to participating individuals upon vesting of awards in future years. Each option under the Plan 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. All unvested Awards lapse on the earlier of the date specified by the Board, breach of certain restrictions on transfer and hedging of awards, failure to satisfy the Conditions of the Award, 15 years from the grant date or generally on resignation or termination for cause (including gross misconduct). Where the recipient of the Award ceases employment for any other reason prior to the end of the relevant performance period, the participant's unvested Awards will continue "on-foot" and will be tested at the end of the applicable performance period, vesting only to the extent that any performance conditions have been satisfied (ignoring any service-related conditions).

Employee Incentive Option Plan (cont'd)

The Board has a broad discretion to apply any other treatment it deems appropriate in the circumstances (including that another number of Awards may vest and be exercised either at cessation or at the end of the original performance period, or that some or all of the Awards will lapse). In making this determination, the Board may have regard to any factors the Board considers relevant, including the performance period elapsed and the extent to which the vesting conditions have been satisfied.

There are no voting or dividend rights attaching to unvested Awards. Voting rights will be attached to the ordinary shares when Awards vest.

The tables below summarise the number of performance rights and options that were outstanding, their weighted average exercise price as well as the movements during the year:

Performance Rights[1)]	**2023** Number	**2023** Weighted average exercise price (cents)	2022 Number	2022 Weighted average exercise price (cents)
Balance at 1 July	7,335,509	-	5,351,382	-
Granted[2), 3)]	3,490,040	-	1,984,127	-
Exercised[4)]	(2,385,280)	-	-	-
Balance at 30 June	**8,440,269**	**-**	**7,335,509**	**-**

[1)] Shares issued on exercise of performance rights pursuant to the Plan rank equally with all other shares on issue.

[2)] During the financial years 2023 and 2022 2,360,877 and 1,984,127 performance rights (as disclosed in the remuneration report) were granted to Mr Walter and were approved at the Company's Annual General Meeting. Each performance right upon vesting is convertible into 1 fully paid ordinary share with no consideration payable subject to the terms of the Plan and various service and performance conditions. The number of performance rights that will vest is subject to his continuing employment. The ultimate exercising of the performance rights depends on two equally weighted conditions over a 3-year period, being total shareholders return on performance and growth in earnings per share.

[3)] In fiscal year 2023, a total of 696,616 performance rights (as outlined in the remuneration report) were granted to Mr Bremner. These rights are subject to the same conditions outlined in footnote 2.

[4)] During fiscal year 2023, Mr J Walter converted 2,385,280 performance rights into ordinary shares related to his fiscal year 2020 long term incentive.

Options	**2023** Number	**2023** Weighted average exercise price (cents)	2022 Number	2022 Weighted average exercise price (cents)
Balance at 1 July	10,315,000	33.18	35,092,105	30.94
Granted	-	-	3,765,000	35.11
Exercised	-	-	(14,120,000)	30.06
Forfeited	-	-	(14,422,105)	31.29
Balance at 30 June	**10,315,000**	**33.18**	**10,315,000**	**33.18**

[4)]Share options granted under the Plan carry no rights to dividends and no voting rights.

Accounting policy for performance rights and options

Certain employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, which depends on the terms and conditions of the instrument. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model for Senior Executive Plan ("SEP").

That cost is recognised in employee benefits expense (Note 1.4), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Statement of Comprehensive Income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through the Statement of Comprehensive Income.

3.5. Reserves

	Share-based payment [1] $000	Other reserves [2] $000	Total $000
Balance at 1 July 2022	2,527	(1,479)	1,048
Share based payment expense	2,092	-	2,092
Conversion of performance rights	(434)	-	(434)
Movement for the financial year	1,658	-	1,658
Balance at 30 June 2023	**4,185**	**(1,479)**	**2,706**

	Share-based payment [1]	Other reserves [2]	Total
Balance at 1 July 2021	2,985	(2,887)	98
Issue of share options	1,264	-	1,264
Conversion of issued options/rights	(866)	-	(866)
Put options from sale/purchase	-	(420)	(420)
Options not exercised	(856)	-	(856)
Exercise of a put option	-	1,828	1,828
Movement for the financial year	(458)	1,408	950
Balance at 30 June 2022	**2,527**	**(1,479)**	**1,048**

1) The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.
2) Other reserves represent put options in relation to non-controlling interest entities within the group.

3.6. Dividends

Fully franked dividends were paid during the financial period as follows: [1], [2]

	2023 $000	2022 $000
FY21 Final Dividend paid 0.5 cents per share on 22 October 2021	-	5,177
FY22 Interim Dividend paid 0.5 cents per share on 1 April 2022	-	5,211
FY22 Final Dividend paid 0.5 cents per share on 20 October 2022	5,223	-
FY23 Interim Dividend paid 0.5 cents per share on 31 March 2023	5,318	-
	10,541	**10,388**

[1] The Dividend Reinvestment Plan ("DRP") is currently suspended.

[2] Since the end of the year the Directors have declared a final dividend of 0.5 cents per share in respect of FY23 which is not recognised as a liability at 30 June 2023.

Accounting policy for dividends

The Group recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

The Group has the following imputation credits:

	2023 $000	2022 $000
Franking account balance at 30 June	**5,264**	**4,820**
Imputation credits / (debits) that will arise from the refund of the current tax liability	506	(1,318)
Adjusted Franking account balance	**5,770**	**3,502**
Imputation debits that will arise from payment of dividend declared but not recognised in the financial statements	(2,279)	(2,233)
Adjusted Franking account balance after payment of unrecognised dividend amounts	**3,491**	**1,269**

3.7. Financial Instruments

Liquidity Risk

Liquidity risk is the risk that the Group is not able to pay its debts as they fall due. Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cashflows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are included in note 3.2.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The contractual maturity is based on the earliest date on which the Group may be required to pay:

In $000	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1-5 years	Total	Carrying amount
2023						
Trade and other payables	-	22,460	-	-	22,460	22,460
Interest-bearing loans	4.2%	-	-	72,800	72,800	72,800
Lease liability[1)]	3.5%	3,007	9,024	58,971	71,002	62,248
		25,467	**9,024**	**131,772**	**166,263**	**157,508**

[1)] Refer to details on Note 2.7

In $000	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1-5 years	Total	Carrying amount
2022						
Trade and other payables	-	11,507	-	-	11,507	11,507
Interest-bearing loans	1.5%	-	-	19,000	19,000	19,000
Lease liability[1)]	2.6%	2,654	7,961	57,580	68,194	62,206
		14,161	**7,961**	**76,580**	**98,701**	**92,713**

[1)] Refer to details on Note 2.7.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a portfolio of fixed but predominantly variable rate loans and borrowings. In July 2020, the bank waived its requirement under Group's loan facility to use interest rate swaps. An interest rate swap provides that the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount are paid at specified intervals. At 30 June 2023, there were nil interest rate swaps covering outstanding debt (2022: nil).

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its investment in an unlisted investment.

3.7 . Financial Instruments (cont'd)

Foreign Currency Risk (cont'd)

The Group does not hedge its exposure to fluctuations on the translation into Australian dollars of this investment as the unlisted investment is not regularly traded and management assesses the foreign exchange risk as low over the longer term. Based on the 30 June 2023 valuation of the investment, a 1.0 cent movement in USD: AUD exchange rate results in +/-$0.03m unrealised foreign exchange gain or loss in the consolidated Statement of Comprehensive Income.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. However as 75% of the Group's business relates to bulk billed procedures that are reimbursed directly by the government, we assess the overall credit risk exposure as low.

3.8. Commitments

The company has the following capital expenditure commitments contracted for:

	2023	2022
	$000	$000
Plant and equipment purchases	6,424	-

Accounting policy capital expenditure commitments

Commitments for future capital commitments arise from contracts. These commitments are disclosed at their nominal value and are exclusive of the GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the Balance Sheet.

Commitments for future capital expenditure include costs associated with the fit-out and refurbishment of certain clinics and related plant and equipment.

3.9. Contingencies

The Group has an obligation to provide rental property guarantees when requested by landlords of the rental premises. These are classified as a contingent liability unless supported by value for value specific deposits.

Section 4 – Our operational footprint

This section provides details of acquisitions which the Group has made in the financial year, as well as details of controlled entities.

The Group's provisional acquisition of Future Medical Imaging Group and finalisation of the acquisition of Womens' Imaging occurred during the period. There were no adjustments to goodwill through the finalisation of Womens' Imaging acquisition.

There were no other new acquisitions during the period.

Date of acquisition	Business Name	State	Purchase consideration $000	Net Assets Acquired $000	Goodwill $000
4 November 2022	Future Medical Imaging Group ("FMIG")	Victoria	55,800	15,423	40,377
29 November 2021	Womens' Imaging	Tasmania	700	424	276

Acquisitions in fiscal year 2023

Future Medical Imaging Group

On 4 November 2022, the Group acquired 100% of the shares in Future Medical Imaging Group Pty Ltd ("FMIG") which operates six dedicated diagnostic imaging clinics in Victoria. The acquisition is aligned to the Group's strategic plan for long-term organic growth and expanding its network of high-quality community imaging centres. The provisional goodwill of $40.4 million comprises the value of expected synergies arising from the acquisition, which are not separately recognised.

The consideration for the acquisition amounted to $55.8 million prior to transactions costs. This includes shares in Capitol Health Limited of $6.0 million and $49.8 million funded through Capitol Health's debt facilities. Transaction costs of the acquisition (included in cash flows from investing activities) amounted to $1.6 million.

The provisional fair value of the consideration transferred at acquisition date was made up of the following components:

	$000
Consideration:	
Cash	48,117
Shares issued	6,000
Deferred consideration payable	1,683
	55,800
Assumed:	
- Cash	2,341
- Recognition of net debtors/creditors	(317)
- Right-of-use assets	3,138
- Fixed assets	7,696
- Intangibles	10,562
- Employee Entitlements	(1,755)
- Lease liabilities	(3,138)
Recognition of Deferred Tax Asset	572
Recognition of Deferred Tax Liability	(3,676)
Goodwill	40,377
	55,800

In association with the FMIG acquisition, Capitol Health issued 610,314 ordinary shares which are held in escrow and subject to ongoing employment conditions. These are accounted for as a post-employment cost and not through goodwill.

Acquisitions in fiscal year 2023 (cont'd)

Future Medical Imaging Group (cont'd)

Revenue and profit contribution from the date of acquisition to 30 June 2023:

From the date of acquisition, FMIG contributed $16.8 million of revenue for the Group. If the combination had taken place from the start of the period, revenue would have been approximately $25.2 million.

Acquisitions in fiscal year 2022

Womens' Imaging

On 29 November 2021, the Group acquired 100% of the business and assets of Womens' Imaging which operates a dedicated diagnostic imaging clinic with a specialist focus on women's health in Hobart, Tasmania.

The acquisition is aligned to the Group's strategic plan for long-term organic growth and expanding its network of high-quality community imaging centres. The goodwill of $0.28 million comprises the value of expected synergies arising from the acquisition.

The consideration for the acquisition amounted to $0.7 million funded from cash reserves. Transaction costs of the acquisition (included in cash flows from investing activities) amounted to $0.27 million.

The fair value of the consideration transferred at acquisition date for Womens' Imaging was made up of the following components:

	$000
Payment for business and assets	700
Completion adjustment	-
	700
Assumed:	
- Recognition of net debtors/creditors	(4)
- Employee Entitlements	(188)
- Plant and Equipment	560
Recognition of Deferred Tax Asset	56
Goodwill	276
	700

Revenue and profit contribution to 30 June 2023:

Womens' Imaging contributed $2.8 million of revenue for the Group for year ended 30 June 2023.

Key estimates and judgements – Other intangible assets

Other intangible assets comprising the referrer relationship were independently valued at acquisition. The Referrer Relationships intangible asset reflects the revenue stream from referrers on forwarding patients to a clinic and reflect the relationships that the clinics and the Company's doctors and medical technicians have established with the referrers and the patients over time that is considered separable. This intangible asset is constantly evolving with new patients and referring medical professionals, and as a result it is amortised over 8 years.

Key estimates and judgements – Impairment testing of Cash-Generating Units ("CGU") Containing Goodwill and Brand Names

In relation to impairment testing, all intangible assets with indefinite lives (goodwill and brand names) have been allocated to one Group of cash-generating units ("CGU") as they are expected to benefit from the synergies of the business combination. In accordance with *AASB 136 Impairment of Assets*, the Group's operations have been tested for any potential impairment charge applicable to the Goodwill valuation carried in the accounts of the Group. Refer to Note 2.4.

Accounting policy for business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred to the Statement of Comprehensive Income as transaction costs.

When the Group acquires a business, it assesses the acquired financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiror.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of Statement of Comprehensive Income in accordance with IFRS 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in Statement of Comprehensive Income. Contingent consideration to be paid to employees is treated as an employee expense.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the Statement of Comprehensive Income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Section 5 – Our group structure

This section includes details of the way the business is structured including details of controlled entities and changes to the group structure during the year and the financial impact of those changes.

5.1. Controlled Entities

	Country of Incorporation	Equity Interest 2023	Equity Interest 2022
Capitol China Operations Pty Ltd	Australia	100%	100%
Capitol China Radiology Pty Ltd	Australia	100%	100%
Capitol Global Pty Ltd	Australia	100%	100%
Capitol Investments Pty Ltd	Australia	100%	100%
Capital Radiology (NSW) Pty Ltd	Australia	100%	100%
Capital Radiology Pty Ltd	Australia	100%	100%
Capital Radiology WA Pty Ltd	Australia	100%	100%
Capitol Treasury Pty Ltd	Australia	100%	100%
Capitol Health Holdings Pty Limited	Australia	100%	100%
CHL Operations Pty Ltd	Australia	100%	100%
Diagnostic MRI Services Pty Limited	Australia	100%	100%
Diagnostic MRI Services Unit Trust	Australia	100%	100%
Eastern Radiology Services Pty Ltd	Australia	100%	100%
Eastern Radiology Services Unit Trust	Australia	100%	100%
Future Medical Imaging Group Pty Ltd[1)]	Australia	100%	-
Imaging @ Olympic Park Pty Ltd[4)]	Australia	100%	100%
Imaging @ Olympic Park Unit Trust	Australia	100%	100%
Joremo Pty Ltd	Australia	100%	100%
MDI Group Pty Ltd	Australia	100%	100%
MDI Manningham Pty Ltd	Australia	100%	100%
MDI Radiology Pty Ltd	Australia	100%	100%
Radiology One Pty Ltd	Australia	100%	100%
Radiology Tasmania Pty Ltd	Australia	100%	100%
Adrad Investments SA Pty Ltd[2)]	Australia	98%	98%
Lime Avenue Radiology Pty Ltd	Australia	70%	70%
Capital Radiology (EPH) Pty Ltd[3)]	Australia	70%	-
Capital Heart Pty Ltd	Australia	55%	55%

1) Entity acquired during the year ended 30 June 2023.
2) Adrad Investments SA Pty Ltd wholly owns and controls Adelaide Radiology Pty Ltd. On the 2 March 2022, the Group acquired the 10% of non-controlling interest and on the same day sold 2% to another party.
3) Capital Radiology (EPH) Pty Ltd was incorporated and registered on 7 July 2022. The Group holds an equity interest of 70%.
4) An existing shareholder of Imaging @ Olympic Park Pty Ltd, holding Class B shares, possesses entitlement to an equivalent of a 25% equity stake in the entity. These redeemable convertible shares, constituting part of the Company's issued capital, are subject to vesting conditions that are anticipated to be fulfilled at the conclusion of the designated vesting period.

All wholly owned entities in the table above form a single tax consolidated group.

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

5.2. Deed of Cross Guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others, also referred to as the Closed Group:

Capitol Health Limited	Capital Radiology WA Pty Ltd	MDI Manningham Pty Ltd
Capitol China Operations Pty Ltd	Capitol Treasury Pty Ltd	MDI Radiology Pty Ltd
Capitol China Radiology Pty Ltd	Capitol Health Holdings Pty Limited	Radiology One Pty Ltd
Capitol Global Pty Ltd	CHL Operations Pty Ltd	Radiology Tasmania Pty Ltd
Capitol Investments Pty Ltd	Diagnostic MRI Services Pty Limited	Joremo Pty Ltd
Capital Radiology (NSW) Pty Ltd	Eastern Radiology Services Pty Ltd	Future Medical Imaging Group Pty Ltd
Capital Radiology Pty Ltd	MDI Group Pty Ltd	

Pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*, relief has been granted to the wholly owned entities as listed above, from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Instrument, these entities entered into a deed of cross guarantee on 4 June 2021 with Future Medical Imaging Group Pty Ltd subsequently entering via an assumption deed on 21 June 2023. The effect of the deed is that Capitol Health Limited has guaranteed to pay any deficiency in the event of winding up of any other closed group entity if they do not meet their obligations under the terms of loans, leases or other liabilities subject to the guarantee. The other closed group entities have also given a similar guarantee should Capitol Health Limited be wound up or fail to meet its obligations under the terms of loans, leases or other liabilities subject to the guarantee.

The consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position of the Closed Group are:

	2023 $000	2022 $000
Statement of Comprehensive Income		
Revenue	176,128	157,350
Wages, contractor costs and salaries	(120,549)	(113,076)
Occupancy costs	(5,696)	(4,439)
Medical equipment and consumable supplies	(9,710)	(8,088)
Service costs	(12,698)	(369)
Transaction and restructure costs	(1,619)	(1,000)
Unrealised foreign exchange gain	350	1,782
Investments' movement in fair value	(17,581)	(2,123)
Impairment of other non-current assets	(2,086)	-
Financial liabilities' movement in fair value	293	130
Depreciation and amortisation	(22,989)	(19,843)
Net finance costs	(4,754)	(2,754)
(Loss) / Profit before Income Tax	**(20,911)**	**7,570**
Income tax expense	2,021	(2,467)
(Loss) / Profit for the Year	**(18,890)**	**5,103**

5.2. Deed of Cross Guarantee (continued)

Consolidated Statement of Financial Position of the Closed Group

	2023 $000	2022 $000
Statement of Financial Position		
Assets		
Cash and cash equivalents	17,639	12,744
Trade and other receivables	3,919	3,143
Intercompany receivables	919	1,198
Other financial assets	103	113
Other assets	2,203	736
Income tax receivable	-	1,317
Total Current Assets	**24,783**	**19,251**
Plant and equipment	53,323	39,770
Right-of-use assets	52,860	52,894
Intangible assets	156,262	105,367
Investment in entities	17,916	19,744
Other financial assets	1,950	19,181
Other receivables	187	254
Deferred tax asset	8,475	5,032
Total Non-Current Assets	**290,973**	**242,242**
Total Assets	**315,756**	**261,493**
Liabilities		
Trade and other payables	23,612	11,263
Intercompany payable	20,922	17,970
Lease liabilities	10,707	9,382
Employee benefit liabilities	12,356	11,604
Income Tax Liability	144	-
Total Current Liabilities	**67,741**	**50,219**
Borrowings	72,800	19,000
Lease liabilities	47,741	48,221
Other financial liability	3,478	1,901
Provisions	3,052	2,557
Employee benefit liabilities	401	384
Deferred tax liability	9,919	5,302
Total Non-Current Liabilities	**137,391**	**77,365**
Total Liabilities	**205,131**	**127,584**
Net Assets	**110,625**	**133,909**
Equity		
Issued capital	152,421	145,987
Reserves	2,491	1,048
Accumulated losses	(44,287)	(13,126)
Equity Attributable to Closed Group	**110,625**	**133,909**

5.3. Parent Entity Disclosure

	2023 $000	2022 $000
Financial information		
Operating profit	(8,352)	15,565
Total Comprehensive Income	**(8,352)**	**15,565**
Total Net Assets	**130,145**	**151,503**
Issued capital	160,165	153,749
Reserves	2,706	1,048
Accumulated losses	(32,726)	(3,294)
Total Equity	**130,145**	**151,503**
Guarantees	2,540	1,895

Guarantees

The parent entity has provided financial guarantees in respect of lease agreements of the subsidiaries totalling $2,540,396 (2022: $1,895,248), secured by a first registered charge over the assets of the entity.

The parent entity is party to the deed of cross guarantee as listed in Note 5.2.

Other commitments

The parent entity has no commitments or contingent liabilities (2022: nil).

Section 6 – Other notes

This section contains other notes that are considered relevant to understanding the Group's financial performance or position.

6.1. Auditors Remuneration

The following total remuneration, which was received, or is due and receivable, by the auditor of the company in respect of:

	2023	2022
	$	$
Audit and other services		
Audit and review of Group financial reports	273,300	258,500
Other services:		
Other audit services	-	-
Total remuneration for audit and other services	**273,300**	**258,500**

The auditor of the Group is Deloitte Touche Tohmatsu.

6.2. Related Parties

Key management personnel remuneration

	2023	2022
	$	$
Salaries and fees	1,620,632	1,933,739
STI cash bonus	356,250	263,625
Other short-term benefits	101,446	149,188
Termination payments	-	291,710
Post-employment benefits:		
Superannuation	64,368	87,520
Long term employee benefits	19,790	19,374
Share-based payments	656,090	523,487
	2,818,576	**3,163,710**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to the key management personnel including directors.

Information regarding individual key management personnel compensation as required by Corporation Regulations 2M.3.03 are provided in the Remuneration Report as part of the Directors' Report on pages 17 to 27.

Other key management personnel transactions with the Company or its subsidiaries

The Board's directive is that the terms and conditions of such transactions are to be no more favourable to the supplier than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis. Transactions of this nature are expected to meet the allowable criteria as stated in Chapter 2E of the *Corporations Act*. Any known or intended transactions of this type are expected to be disclosed to the Board.

During the financial year Mr Walter's spouse was engaged as a contractor within the business to provide specialist diagnostic technician services. This arrangement has been notified to the Board and is on commercial terms. The total amount payable for the year ended 30 June 2023 is $53,470 excluding GST (2022: $25,321).

During the year, rent payments were made to employee and contractor doctors as landlords of clinics used by the Group. These arrangements have been notified to the Board and are on commercial terms. There were no other such transactions.

Section 7 – Other disclosures

This section contains additional information required to comply with accounting standards, the Corporations Act 2001 and other pronouncements.

New Accounting Standards and Interpretations Applied for the Current Year

The Group has adopted all new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Standards Issued but not yet Adopted

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- AASB 2024-10 Amendments to Australian Accounting Standards: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AQASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128, AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections (effective 1 January 2025).
- AASB 2020 – 1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current – Deferral of Effective Date (effective 1 January 2023).
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (effective 1 January 2023).
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023).
- AASB 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 - Comparative Information (effective 1 January 2023).

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

New Sustainability Reporting Standards

In June 2023 the International Sustainability Standards Board ("ISSB") published two sustainability reporting standards in response to the demand for better information about sustainability related matters.

The standards issued were:

- IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information'. IFRS S1 sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary user of general-purpose financial reports in making decisions relating to providing resources to the entity.
- IFRS S2 'Climate-related Disclosures'. IFRS S2 sets out the requirements for identifying, measuring, and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

The Australian climate related financial disclosures requirements are still being finalised; however, disclosures are expected to be closely aligned with the ISSB Standards, with Australian equivalents to be set by the Australian Accounting Standards Board ("AASB") considering Australian-specific requirements. Based on the current proposals, the climate related disclosure requirements are expected to first apply to the Group for the financial year ending 30 June 2025.

Whilst there are currently no mandatory climate related reporting requirements, the Group has commenced the assessment of the impact for future reporting periods.

Current and Non-current Classification
The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is classified as current when it is either:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Segment Information
The Group has one business segment which is the operation of diagnostic imaging facilities in Australia. Senior management and the Capitol Board regularly review the Group's operating results to allocate resources and assess/review the Group's performance as a whole. As the Group operates in a single business and geographic segment no further disclosures are required.

Fair Value Measurement
Financial instruments such as derivatives, and non-financial assets such as investment in unlisted entities, are measured at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group applies valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Fair Value Measurement (cont'd)

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities the entity can access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 — Inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment in unlisted entities and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is determined annually with selection criteria including market knowledge, reputation, independence and whether professional standards are maintained.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates, and assumption: notes 2.2, 2.3, 2.4, 2.5, 3.2 and 3.7.
- Quantitative disclosures of fair value measurement hierarchy: Section 7
- Investment in non-listed equity shares: note 2.5.

Events Subsequent to Balance Date

After 30 June 2023:

Opening of the Sunshine Private Hospital Clinic
On 3 July 2023, our new MRI-comprehensive Sunshine Private Hospital clinic commenced operations. This state-of-the-art hospital facility, featuring 75 beds and four operating theatres, is complemented by both permanent and sessional consulting suites.

Coinciding with this development, our Brimbank clinic, located in close proximity, was officially closed in late June.

Direct Radiology – Treasury Shares
In the fiscal year 2021, the Group allocated 2,347,752 shares as deferred consideration in connection with the acquisition of Direct Radiology. These shares are presently held in Escrow with a scheduled release date in August 2023. It is of note that the release of these shares is contingent upon the fulfillment of stipulated revenue targets and the satisfaction of ongoing employment criteria. The shares will not be released to the vendors due to the non-fulfillment of the conditions.

Deed of Cross Guarantee Update
Subsequent to 30 June 2023, the boards of each of the parties to the deed agreed to revoke the deed of cross guarantee in respect of Capitol China Radiology Pty Ltd, Capitol China Operations Pty Ltd and Capitol Investments Pty Ltd. All parties subsequently completed a revocation deed which has been lodged with ASIC.

Dividend
On 23 August 2023, the Company declared a final dividend for the full year ended 30 June 2023 of 0.5 cents per share (30 June 2022: 0.5 cents) with the maximum dividend payable of $5.3 million.

Other than the above, there have been no other matters or circumstances occurring subsequent to the end of the 2023 financial year that have significantly affected or may significantly affect the operations of the Group, the results of these operations or the state of affairs of the Group in subsequent financial years.

In the opinion of the Directors of Capitol Health Limited:

(a) the attached consolidated financial statements and notes thereto are 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 2023 and of its performance for the financial year ended on that date; and

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

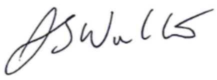
(b) the financial statements and notes thereto also comply with International Financial Reporting Standards as disclosed in the General Information note; and

(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; and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group will be able to meet any obligations or liabilities which they are, or may become, subject by virtue of the Deed of Cross Guarantee pursuant to ASIC Corporations (Wholly owned Companies) Instruments 2016/785.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2023.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5)(a) of the *Corporations Act 2001*.



Justin Walter
Managing Director
Melbourne, Victoria
23 August 2023

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Capitol Health Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Carrying Value of Investment in unlisted entity

The Group holds an investment in the USA based unlisted company Enlitic Inc (‘Enlitic’) with a carrying value of $1.9m as at 30 June 2023 ($19.2m at 30 June 2022) as disclosed in Note 2.5.

The Group continues to account for the investment at fair value through profit and loss.

Given the complexity of the fair value calculation, as well as the valuation methodology used, we consider this to be a key audit matter.</td><td>Our procedures included, but were not limited to:

▪ Reading the independent valuation report issued by Andersen Valuation Service Group, including assessing the experience and qualifications of the independent experts used by management.
▪ Engaging our internal valuation specialists to assess the appropriateness of the methodology used in the valuation of Enlitic, as well as the key assumptions within the valuation.
▪ Verifying the Group’s ownership in Enlitic at 30 June 2023 as per share certificates held.
▪ Recalculating the value of the Group’s investment based on the valuation report, and the year exchange rate.

We have also assessed the appropriateness of the disclosures in Note 2.5 to the financial statements.</td></tr>
<tr><td>Carrying Value of Goodwill

As at 30 June 2023, goodwill totalling $157.3m ($116.9m at 30 June 2022) has been recognised as disclosed in Note 2.4.

The Group is required to annually assess the carrying value of goodwill. This is performed through a value-in-use discounted cash flow model.

The value-in-use calculation includes key assumptions and judgements in the calculation of the recoverable amounts, namely forecast future cash flows, the long-term growth rate and the discount rate.</td><td>Our procedures included, but were not limited to:

▪ Assessing the reasonableness of cash flow projections and assessing growth rates.
▪ Engaging our valuation specialists to assess the key assumptions and methodology used by management in the impairment model, in particular the discount rate and the terminal value growth rate.
▪ Evaluating the Group’s assets carrying amount against its market capitalisation.
▪ Testing the mathematical accuracy of the value-in-use model.
▪ Performed sensitivity analysis on key assumptions in the value-in-use model.

We have also assessed the appropriateness of the disclosures in Note 2.4 to the financial statements.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2023, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 27 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Capitol Health Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke du Toit
Partner
Chartered Accountants
Melbourne, 23 August 2023

Details of Shares, Performance Rights and Options as at 4 August 2023:

Top Holders

The 20 largest holders of each Fully Paid Ordinary Shares as at 4 August were:

Fully Paid Ordinary Shares

Name	No. of Shares	%
NATIONAL NOMINEES LIMITED	224,300,273	21.09
CITICORP NOMINEES PTY LIMITED	199,647,324	18.77
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	116,651,722	10.97
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	104,179,521	9.80
BNP PARIBAS NOMS PTY LTD <DRP>	35,966,752	3.38
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	32,064,575	3.01
IDINOC PTY LTD <J & R CONIDI FAMILY A/C>	27,477,886	2.58
BUTTONWOOD NOMINEES PTY LTD	15,840,771	1.49
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	12,652,122	1.19
NICK CONIDI PTY LTD <CONIDI FAMILY A/C>	11,029,711	1.04
GIA CHAU PTY LTD	10,500,000	0.99
SMKA SUPER PTY LTD <SK SUPER FUND A/C>	7,001,313	0.66
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	6,706,456	0.63
MR NICOLA CONIDI + MRS GIANNINA CONIDI <NICK & JAN CONIDI S/F A/C>	6,160,486	0.58
ILINA-TARANTO HOLDINGS PTY LTD <ILINA TARANTO FAMILY A/C>	4,577,358	0.43
NYGUPTA PTY LTD <GUPTA FAMILY A/C>	4,577,358	0.43
PCJL PTY LTD <PCJL FAMILY A/C>	4,577,358	0.43
TOMANDTAR NOMINEES PTY LTD <DOBROTWIR FAMILY A/C>	4,577,358	0.43
TELEAH PTY LTD <JR SAUVEY SUPER FUND A/C>	4,177,946	0.39
STELHAVEN SMSF PTY LTD <STELHAVEN SUPER FUND A/C>	3,920,843	0.37
	836,587,133	**78.66**

Distribution Schedules

A distribution of each class of equity security as at 4 August 2023:

Fully Paid Ordinary Shares

Range	Total holders	No. of shares	% Shares
1 - 1,000	430	106,597	0.01
1,001 - 5,000	1,345	4,089,074	0.38
5,001 - 10,000	804	6,557,019	0.62
10,001 - 100,000	2,337	85,340,263	8.02
100,001 Over	493	967,429,585	90.96
	5,409	**1,063,522,538**	**100.00**

Unlisted Performance Rights – Issued under Capitol Health Limited's Employee Incentive Plan

Range	Total holders	No. of Performance Rights	% Units
100,001 Over	3	8,440,269	100.00
	3	**8,440,269**	**100.00**

Unlisted Options – Issued under Capitol Health Limited's Employee Incentive Plan

Range	Total holders	No. of Performance Rights	% Units
100,001 Over	9	10,315,000	100.00
	9	**10,315,000**	**100.00**

Escrowed Securities

As at 4 August 2023, a total of 21,267,496 Fully Paid Ordinary Shares were subject to voluntary escrow, details of which being as follows:

Escrowed Securities	Date that escrow period ends
2,347,752 Fully Paid Ordinary Shares	31 August 2023
6,103,144 Fully Paid Ordinary Shares	6 September 2023
305,156 Fully Paid Ordinary Shares	3 November 2023
12,206,288 Fully Paid Ordinary Shares	11 September 2024
305,158 Fully Paid Ordinary Shares	4 November 2024

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	No. of shares	% issued capital
National Nominees Ltd ACF Australian Ethical Investment Limited	93,248,964	8.77
Wilson Asset Management Group	93,248,964	8.77
Washington H. Soul Pattinson and Company Limited (WHSP)	80,622,362	7.58
1851 Capital Pty Ltd	74,799,170	7.03
Tribeca Investment Partners Pty Ltd	64,207,808	6.04

Unmarketable Parcels

Holdings less than a marketable parcel of ordinary shares (being 2,174 at $0.23 per share as at 4 August 2023):

Fully Paid Ordinary Shares	Holders	No. of shares
Holdings less than a marketable parcel	879	880,079

Voting Rights

The voting rights attached to fully paid 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.

Unlisted Options and Performance Rights do not carry any voting rights.

On-Market Buy Back

The Company has a current on-market buy-back with ability to acquire up to 54,477,707 ordinary shares over a 12-month period to 4 September 2023.

Corporate Governance Statement

The Company's 2023 Corporate Governance Statement was released to the ASX on 24 August 2023 and is available at https://www.capitolhealth.com.au/investors/corporate-governance.

Annual General Meeting

The 2023 Annual General Meeting will be held on Wednesday, 15 November 2023 at 11.30am (AEDT).

In accordance with clause 13.3 of the Company's constitution, the Closing Date for Nomination of Director is Wednesday, 27 September 2023.

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