CAPITOLHEALTH
LIMITED

ABN 84 117 391 812

2016 ANNUAL REPORT

Contents

Corporate Directory

Directors

Mr Andrew Demetriou	–	Chairman and Non-Executive Director
Mr John Conidi	–	Managing and Executive Director
Mr Andrew Harrison	–	Non-Executive Director
Ms Nicole Sheffield	–	Non-Executive Director

Company Secretary

Ms Jennifer Currie – Legal Counsel & Company Secretary

Principal Place of Business and Registered Office

Level 3, 81 Lorimer St, Docklands, VIC 3008

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

Auditor

RSM Australia Partners
Level 21, 55 Collins Street, Melbourne, Victoria, 3000

Solicitors (Corporate)

K&L Gates
Level 25, South Tower, 525 Collins Street, Melbourne, Victoria 3000

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace, Perth, Western Australia, 6000

Telephone: (61-8) 9323 2000 / 1300 787 272
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Stock Exchange

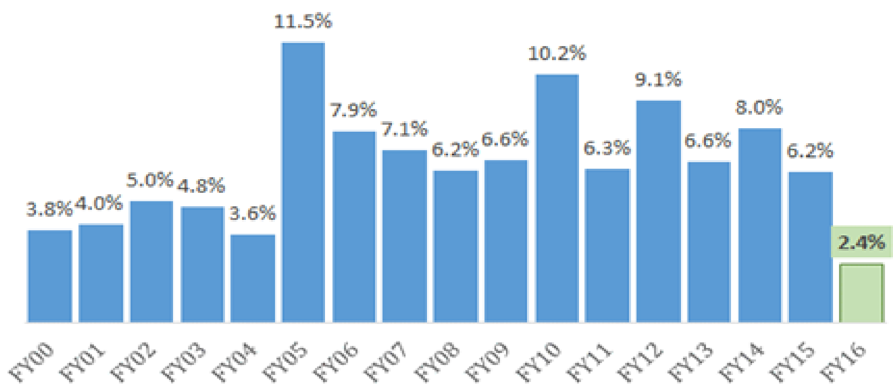
ASX Limited
Level 4, Rialto North Tower, 525 Collins Street, Melbourne, Victoria, 3000
ASX Code: CAJ

Dear Shareholder,

Capitol Health strives to deliver superior patient care, performed by highly qualified and skilled staff, utilising best in class medical equipment. We are ultimately in the business of medicine, driven to optimise resources and operate efficiently to achieve exceptional and sustainable returns to shareholders. Our $11m underlying profit before tax for the 2016 financial year fell significantly short of the expectations of management, the Board and shareholders. The Managing Director's Report for 2016 financial year provides a frank assessment of the challenges faced and the strategy to position Capitol for growth and improved profit in 2017 and beyond.

Growth & Earnings

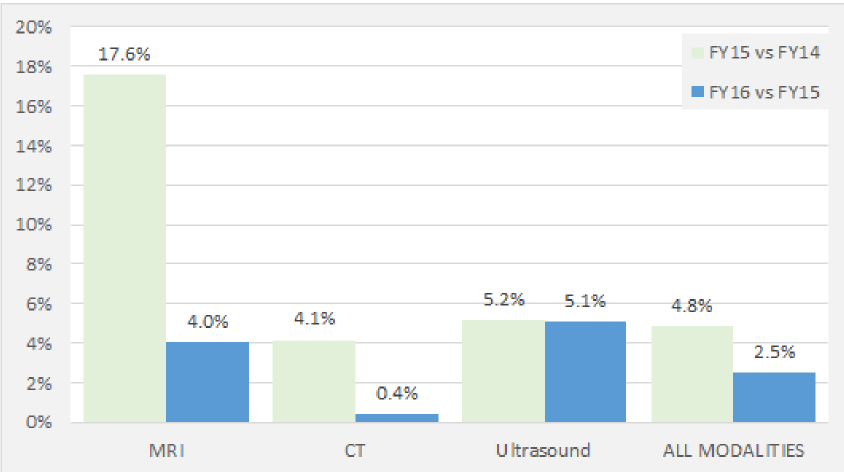
Last year, I mentioned that "the DI (Diagnostic Imaging) sector will see further and more rapid disruption over the next year". The disruption was so severe that the DI industry growth rate fell by 65% from the previous year. Capitol was impacted by a historically low industry growth rate of 2.4%, in contrast, the growth rate in Medicare billings averaged approximately 7% per annum for the prior 15 years (see graph below). This disruption away from historical growth trends cost the Company circa $7m in revenue. The lower than normal growth rates were caused by significant changes in behaviour from our customers, our patients and referrers.



Diagnostic Imaging Medicare Billings
Victoria + NSW – Annual Growth Rates
Source: Medicare

Not only did we experience continued softness from the MBS Review, we were unexpectedly hit with rebate cuts from MYEFO and this was amplified by subsequent regulatory and political uncertainty due to the longest electoral campaign in Australian history. The constant negative publicity related to Medicare during the election campaign had a major effect on consumer confidence with our patient attendances being below our expectations for that period. Despite that, we maintained our market share in both Victoria and NSW which demonstrates the resilience and strong foundation the Company has. This provides a solid launching pad for when growth rates return to a normal trend led by the key Industry thematic of Australia's ageing population.

Being a primarily fixed cost business, any substantial fall in volume and revenue has a virtually dollar for dollar impact on the bottom line. We also experienced what I call modality substitution or the switch from the higher margin CT and MRI to lower margin DI services, in particular ultrasound which is labour and time intensive. The full impact of that change has been significant.



Source: Medicare. NSW and Victorian services only.

The full year revenue was $158.3m, 42% higher than 2015 and includes the full impact of the acquisitions in 2015 and 2016. Those acquisitions provide a solid foundation for the future of the group in terms of spread and volume of earnings coupled with increased sub-specialist capacity among our radiologists, but they have come at the cost of significantly higher debt levels. It is important to remember that the underlying performance of the group showed growth in both revenue and core radiology EBITDA. This was achieved in an environment that experienced substantially lower growth rates and an increase in competition in some of our markets. We strive to deliver growth year on year, constantly seeking new methods to provide better patient outcomes more efficiently and cheaper, improving utilization and profitability.

Capital Management

The earnings performance and the growth in net debt from $38.3m at June 2015 to $88.0m at June 2016 put pressure on the group's balance sheet. Relief was sought in the form of restructuring our senior facility with National Australia Bank in tandem with the issuance of $50m in Senior Unsecured Notes, with proceeds from the issuance applied to repayment of the senior secured facility. Both of these facilities mature in the first half of 2020 and were structured with more appropriate covenant packages to meet the current needs of the group. The Senior Unsecured Notes facility includes a net debt to EBITDA covenant of 4.25x, but it is important to note that this is not an event of default covenant – it simply precludes the group from undertaking certain events, most notably further borrowing.

At 30 June 2016 the group had total assets (net of cash and cash equivalents) of $196.8m which was funded by net debt of $88.0m, normal trading creditors and provisions of $26.6m and shareholders' funds of $82.2m meaning that broadly net debt and shareholders' funds equally share in the capital requirements of the group. We feel that while this level of gearing is high in traditional terms, it is appropriate given the longer-term growth rates expected for the demand in diagnostic imaging over the years to come. In the near-term, debt management will remain a priority as we monitor performance against these expectations.

Technology

Enlitic

Among the technologies that will change the face of healthcare as we know it is Artificial Intelligence (AI) - it holds the most promise for exponential impact. AI based tools are capable of consuming, analysing, and synthesising massive amounts of data – adding value by not only integrating large quantities of disparate data into something meaningful, but in their ability to "learn" how make those connections faster, with greater accuracy, and with expanded inputs.

Our partner in this exciting space is Enlitic, recently named the 14th smartest company in the world by MIT. With our investment in Enlitic, Capitol is proud to be a first-mover in the data-driven revolution of healthcare delivering better patient outcomes faster and cheaper than ever before. To give you an example of the scale of the opportunity for Enlitic's AI chest x-ray tool, there are more than 400,000 chest x-rays performed per day in the Chinese health check market, and that is just chest x-rays. Due to this phenomenal market scale, Capitol's Enlitic focus has pivoted to the recent opportunities in China. Capitol is in advanced stages of negotiating a collaboration and revenue share agreement with Enlitic which is expected to cover the sale of Enlitic technology in mainland China.

Cloud

Next to AI, cloud computing will be the biggest disrupter to DI. The advantages to cloud are endless, with the largest benefit being mobility. The power for a patient and practitioner to access medical information from anywhere on their laptop or mobile device. As more and more practitioners shift to cloud based management systems, this will lead to a monumental shift in how DI and pathology providers engage with their patients and referrers. Capitol's shift towards cloud based services will ensure that we are able to adapt to the changing nature of consumer behaviour, driven by the key thematic of personalisation and mobility.

The aim is to drive better patient outcomes whilst lowering the cost of achieving those outcomes. That can only be achieved by the constant commitment and investment in technology that improves diagnosis and operational systems.

Market Entry into China

The 2016 financial year marked our entry into the global healthcare marketplace with two significant opportunities in China. Chinese government healthcare reform has led to substantial growth in the private healthcare industry in China, and our potential partners, CITIC Pharmaceutical and Sunshine Insurance Group, are established participants with the broad reach and solid financial backing necessary to help Capitol best capitalise on what will one day be the largest healthcare market in the world.

CITIC Pharmaceutical is a majority controlled subsidiary of CITIC Medical and Health Group Co., Ltd, a vast, comprehensive medical enterprise that includes nine hospitals. The current opportunity provides for future joint ventures in design, consulting, and operational management of CITIC's proposed new private independent diagnostic imaging centres as well as the potential for Capitol to share ownership stake in them. Planned for cities where CITIC already owns hospitals, these imaging centres should generate high-volume patient referrals that utilise world's leading clinical and technology systems provided and supported by Capitol. We are in advanced negotiations with CITIC in relation to this opportunity.

Sunshine Insurance Group is one of China's largest property, casualty and life insurance companies. Our MOU establishes Capitol as a provider of tele-radiology reporting, clinical training, and mentoring services for the Sunshine Union Hospital, their newly opened 2,000 bed state-of-the-art facility in Weifang, Shandong Province. The hospital is among the first initiatives enacted as part of Sunshine's 10-year strategic mission to firmly establish their leadership in the nation's healthcare industry and provide differentiated services to their 190 million insurance customers.

These efforts coupled with Enlitic in China hold the potential to expand Capitol's footprint significantly, but, more so, they prove the market value of our expertise and the additional revenue streams for our best in class approach to radiology service, clinic operations, technology and patient care.

Government Policy & Regulatory

During the recent Federal election the Coalition released its policy on DI which is expected to take effect on 1 January 2017. In summary, the Government intends to:

- reduce the Bulk Bill incentive from 95% to 85% of the MBS
- reinvest $50m p.a. into radiology by increasing certain item rebates
- enhance service standards via increased professional supervision

To the best of our knowledge we understand the $50m p.a will fund higher CT rebates that will be attached to on-site clinical supervision. This measure would be a positive outcome for Capitol as we have a relatively high concentration of CT scanners and all are clinically supervised. This will partially offset the reduction in revenue caused by the elimination of the Bulk Bill incentive.

The Board

The Board is acutely focused on improving shareholder value and expects that the adjustments made to our organisational structure and strategy for growth provide a solid foundation upon which to build those future returns. I would like to thank Peter Lewis for his efforts over the last year and for his efforts as CFO during a particularly challenging time for our company. Our responsibility to protect the Company's foundation for future growth is especially paramount in challenging market conditions and in further support of these efforts, the Directors have suspended the final dividend.

Strategy & Outlook

The broader healthcare industry is transforming – both domestically and globally. Our strategy is to position Capitol to meet the challenges and take advantage of the opportunities both locally and overseas. In the domestic market our primary focus is on winning customers. The market environment has changed dramatically in the last 12 months driven by a significant shift in customer behaviour. We need to improve our customer experience while continuing to offer affordable and accessible service. The clear focus and single most important item is to deploy resources that acquire customers. There is ample capacity in the DI system and therefore customer acquisition is the path to profit.

Capitol will be the first DI provider in Australia to offer real-time online and mobile appointments. A strategic partnership with Health Engine (Australia's leading online healthcare booking service) will drive patients to Capitol clinics in both Victoria and NSW. This opportunity will give us exposure and direct communication by email and text to over 150,000 doctor appointments per month in Victoria and NSW. Monthly online bookings on Health Engine are growing exponentially and a sign of the changing nature of patient behaviour and interaction – we are at the forefront of taking advantage of that. Radiology patients are free to choose their DI provider and our strategic partnership with Health Engine enables us to directly offer our services in a seamless and convenient method. The Health Engine platform and our own booking app will provide Capitol with a significant competitive advantage that leverages our scale and network, positioning us to gain market share from our competitors.

On the global stage, Enlitic's product offering is perfectly positioned to take advantage of the high volume of scans that are generated in China. With China's health spending as a percentage of GDP most likely to increase substantially driven predominantly by the middle class, we are positioning ourselves to benefit from the private DI sector with CITIC and the ever growing health check industry.

The strategic initiatives the Company has implemented over the past year have shored up our ability to take advantage of these extraordinary opportunities to gain footholds in important markets and emerging sectors. Our continued investment in the critical components of our customer experience – improving the patient, referring clinician, and employee interaction by blending expertise and leading-edge technology – will only serve to further set Capitol apart both at home and abroad. We have set our trajectory forward and are passionate and excited to pursue it.

Thank you

In the end, our optimism for the future – and our success weathering the challenges of this past year – would not be possible without the dedication and hard work of our employees, the loyalty of our referrers and patients, and the support of our shareholders. I would like to thank all of you for your commitment to Capitol during this difficult period and look forward to providing you with further updates this coming financial year.

John Conidi
Managing Director
Melbourne, Victoria
29 August 2016

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 2016, and the auditor's report thereon.

Directors

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

Mr Andrew Demetriou
Chairman and Non-Executive Director

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

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

Mr John Conidi, BBus, FCPA
Managing Director

Mr Conidi currently manages the consolidated entity's operations. Mr Conidi has over 14 years of experience in developing, acquiring and managing businesses in the healthcare industry with a focus on diagnostic imaging and his role in strategy, management and business development has driven the rapid expansion of the Group.

Mr Conidi is a Non-Executive Director of Total Face Group Limited, Oz Brewing Limited and Kibaran Resources Limited (appointed to each in 2015) and was previously a Non-Executive Director of Lithex Resources Limited (resigned in 2013). He graduated in 1995 from the Royal Melbourne Institute of Technology with a Bachelor of Business degree and is a CPA.

Mr Peter Lewis,
Executive Director – Appointed 28 August 2015, Resigned 19 August 2016

Mr Lewis has extensive experience in both executive and financial roles including at Network Ten, Sydney Olympic Broadcasting Organisation and the Seven and Seven West Media Groups. He is also a Fellow of the Institute of Chartered Accountants in Australia, a member of the Australian Society of Certified Practicing Accountants and a Fellow of the Governance Institute of Australia.

Peter is currently a Non-Executive Director of Australian Broadcasting Corporation and a member of the Advisory Board for Anacacia Capital.

Mr Andrew Harrison, BCom (Hons)
Non-Executive Director

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

He has held senior executive roles with Brambles Australia, been a consultant to Chubb Australasia, was Managing Director and a Non-Executive Director of ASX listed Neptune Marine Services Limited until February 2006 and a Non-Executive & Executive Director of Draig Resources Limited until November 2012.

Ms Nicole Sheffield, MBA, BA LLB
Non-Executive Director – Appointed 23 December 2015

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

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

Mr Dominik Kucera, BBus (Acc), CPA
Executive Director and Chief Financial Officer - Resigned 28 August 2015

Company Secretaries

Ms Jennifer Currie, B.Com LLB (Hons), LLM (IP), GAICD
Legal Counsel & Company Secretary – Appointed as Company Secretary 22 December 2015

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

Jennifer is a graduate of the Australian Institute of Company Directors Course 2011. She is currently a Non-Executive Director of Summer Infant Australia and is a former Non-Executive Director of the Intensive Care Foundation. She is currently completing a Graduate Diploma in Applied Corporate Governance through the Governance Institute of Australia.

Mr Kim Hogg, BCom
Joint Company Secretary – Resigned 31 March 2016

No current or previous officer of the Company was a member of the Company's Auditors.

Directorships in Other Listed Entities

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

Director	Company	Period of Directorship	
		From	To
Mr A Demetriou	Crown Resorts Limited	2015	Present
Mr J Conidi	Lithex Resources Limited	2012	2014
	Oz Brewing Limited	2015	Present
	Kibaran Resources Limited	2015	Present
	Total Face Group Limited	2016	Present
Mr P Lewis	Rubicor Group Limited	2015	2015

Director's Meetings

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

Director	Board		Nomination & Remuneration		Audit & Risk	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mr A Demetriou	10	10	1	1	4	4
Mr J Conidi	10	9	n/a	n/a	n/a	n/a
Mr A Harrison	10	10	1	1	4	4
Mr D Kucera	1	1	n/a	n/a	n/a	n/a
Mr P Lewis	9	8	n/a	n/a	n/a	n/a
Ms N Sheffield	5	5	1	1	3	3

Committee Membership

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

Nomination & Remuneration Committee	Audit & Risk Committee
Mr A Harrison (Chairman)	Mr A Harrison (Chairman)
Mr A Demetriou	Mr A Demetriou
Ms N Sheffield	Ms N Sheffield

Principal Activities

The Group is a leading provider of diagnostic imaging and related services to the Australian healthcare market. Headquartered in Melbourne, Victoria the Company owns and operates clinics throughout Victoria and New South Wales.

The Company conducts more than 1 million procedures every year and employs over 700 employees including approximately 50 radiologists (FTE basis). The Company's operational focus is on delivering a community-based infrastructure for radiologists and related medical practitioners to deliver optimal, efficient, accurate healthcare service outcomes for patients. Facilities are predominantly community-based rather than hospital-based, with priority given to service and minimisation of administrative burdens for healthcare professionals.

Trading primarily under its flagship brand Capital Radiology, the Company provides a range of diagnostic imaging services. Approximately 90% of revenue is generated through X-Ray, Ultrasound, CT and MRIs; additional offerings include nuclear medicine, mammography/breastscreen, bone densitometry, and other related services.

In recent years Capitol Health has undertaken a series of acquisitions in Victoria and New South Wales:

Date	Acquisition	Description
Mar-12	IMI Radiology	5 locations in greater Melbourne
Mar-13	MDI Group	11 clinics in metro Melbourne
Dec-14	Southern Radiology	Entry into NSW market; 14 clinics
Jan-15	Imaging @ Olympic Park	Metro Melbourne facility
Jul-15	Eastern & Sydney Radiology	Two high visibility NSW sites
Aug-15	Sunrise Radiology	1 clinic in metro Melbourne
Oct-15	Liverpool Diagnostics	Expansion into Western Sydney – 5 locations

Results

The Group made a net loss after tax for the financial year ended 30 June 2016 of $4,684,000 (2015: profit after tax $3,864,000).

Operating and Financial Review

Overview

The 2016 financial year has seen the first full year impact of the 2015 acquisition program, including Southern Radiology and Imaging @ Olympic Park. It has also seen the integration of the two latest acquisitions, Sunrise Radiology and Liverpool Diagnostics.

A core operational focus has been on technology consolidation and integration, with a view to moving all sites onto a common Radiology Information System (RIS), Picture Archiving & Communication System (PACS) and data archive (Mach 7). This has been a major project involving standardising hardware, configuring the relevant sites networks, reconfiguring the equipment modalities (eg CT & MRI), training all staff (including radiologists on the new systems), configuring billing accounts & structures, moving patient data into the central archive, and configuration of the referrers result access portal/report delivery to facilitate the new Inteleviewer access.

In addition, the results for the financial year ending 30 June 2016 incorporate the key developments outlined below.

Operating Review

Major Acquisitions

On 1 July 2015, Eastern Radiology Services Pty Limited, ACN 128 588 376 was acquired through the purchase of 100% of the issued share capital and the recognition of identifiable assets and liabilities assumed.

The purchase of the operating and legal business assets of:

- Sunrise Radiology was completed on 17 August 2015; and
- Liverpool Diagnostics was completed on 19 October 2015.

Associated one-off costs to complete the transactions were high and substantially impacted on the result as disclosed in this Report.

Impact of MBS Changes

In April 2015 the Government established a Medicare Benefits Schedule (MBS) Review Taskforce to review MBS Schedule services and consider how services can be aligned with contemporary clinical evidence and improved health outcomes. The outcomes of this review are expected later in 2016.

In December 2015 the Government announced changes to remove bulk billing incentives for non-concession card holders and those over 16 were to commence in July 2016. However in June 2016 it was announced that those changes would be deferred until 1 January 2017. Those changes are likely to require an amendment to the relevant regulations.

Although there were no changes to the MBS actually implemented during the period, the considerable uncertainty and confusion appears to have prematurely dampened demand, with the market's year on year growth being significantly lower than previous years. For Victoria, Medicare receipts for Diagnostic Imaging services grew by 3.0% (as compared to a range of between 7.0% and 9.9% for the previous four years). For NSW receipts grew by 2.0% (as compared to a range of between 5.6% and 8.6% for the previous four years).

Enlitic

On 11 February 2016, the Company acquired US$10 million of shares in Enlitic Inc., which was selected by MIT Technology Review as one of the 50 Smartest Companies in 2015 on the basis of innovative technology and an effective business model. The company has made payments of $USD7.5 million during the financial year, with one further payment of $2.5 million made on 15 August 2016.

Related to this investment, Capital Radiology has also secured exclusive access to the Enlitic technologies in Australia for at least five years from the commencement of use. Capitol is in advanced stages of negotiating a distribution agreement with Enlitic which is expected to cover the sale of Enlitic technology in mainland China.

Financial Review

Individually Significant Items

Following a review of the financial position by the Company in accordance with the accounting standards, there have been a number of Individually Significant Items being:

- recognition of impairment loss on the goodwill associated with the NSW acquisitions,
- recognition of an impairment loss in the investment in the listed entity Mach7 Technologies Limited, and
- a write-off of borrowing costs related to the recent senior unsecured notes issue and amendments to the senior secured facility agreement.

The Individually Significant Items of impairment, acquisition and restructuring costs and other costs written off total $13 million as detailed in the Financial Statements.

Senior Unsecured Notes and Refinancing

On 28 April 2016, the Company announced the successful close of $50 million in unsecured 4-year notes at a fixed coupon of 8.25% per annum, maturing on 10 May 2020. The transaction settled on 10 May 2016 and the Company's principal lender, National Australia Bank Limited, approved a variation of its banking facility agreement reducing the cash advance facility limit to $75m.

Property Divestment

The Group has four freehold properties that it has decided to divest. One has successfully been sold and settled in July 2016 for $880,000 and the other 3 properties are being marketed. The total minimum expectation of net proceeds is $4.6 million.

Environment Regulation

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

Significant Changes in the State of Affairs

The consolidated net assets decreased during the financial year ending 30 June 2016 by $9,243,000 (2015 increase of $55,219,000) to $84,641,000 (2015: $93,884,000). The decrease comprised the net loss after tax for the reporting period of $4,684,000 (2015: profit after tax $3,864,000) minus the net decrease in dividends paid, reserve movements, capital raisings and associated costs of $4,559,000 (2015: increase $51,355,000).

Other significant changes in the state of affairs of the group were noted above in the Operating and Financial Review.

The Directors are not aware of any other matter or circumstance that has occurred since the end of the 2016 financial year that has 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.

Dividends

In the present circumstances, the Board considers it prudent to continue the suspension of a dividend in respect of this current financial year. The Board will review the opportunity to pay a dividend in respect of the 2017 financial year, subject to profits and debt levels.

Dividends paid during the financial year

Dividends payable in relation to any given 6 month financial period are paid in the following half-year.

	2016		2015	
	$ Per Share	$	$ Per Share	$
Final Dividend for the Preceding Financial Year	$0.0065	3,396,692	$0.005	2,155,901
Interim Dividend for the Year Ending 30 June	$0.000	-	$0.006	3,133,682
		3,396,692		5,289,583

All dividends paid were fully franked.

Dividend Reinvestment Plan ("DRP")

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

Dividends converted into ordinary shares under the DRP for the final dividend paid during 2016 totalled $309,436 for 502,188 shares at an issue price of $0.617 (2015: $221,901, 337,156 shares, $0.659).

There was no Dividend declared for 2016 and accordingly no shares issued under the DRP (2015: $294,088, 287,761 shares, $1.024).

Events Subsequent to Balance Date

The following events arose subsequent to balance date:

- Mr Conidi voluntarily forfeited his right to 15,000,000 options, and
- Mr Lewis resigned effective 19 August 2016.

Likely Developments, Business Strategies and Prospects

Australia

The Company anticipates another year of organic growth in revenues and a continuation of efforts to optimise the efficiency of its cost base in conjunction with the additional revenues generated from the recent acquisitions.

The proposed government changes to remove the bulk billing incentive and potential changes to the MBS Schedule services will continue to create cost pressures on comprehensive diagnostic imaging practices and create pressure on competition in the sector.

The Company will continue to actively seek out favourable investment opportunities, acquisition targets and operating combinations that meet the criteria of a net benefit to the shareholders of Capitol. With the foreshadowed changes to the MBS, it is expected that the disruption in this market sector will continue, providing Capitol with further expansion potential within Australia.

International

In view of the pressure on the Australian market, the Company is actively pursuing opportunities to capitalise on the significant changes in the Chinese healthcare system which have arisen from:

- major demographic shifts in China, and
- the recent Chinese government health care reform which has resulted in substantial growth in the private healthcare industry in China.

On 3rd June 2016, Capitol Health announced non-binding Memorandum of Understanding with Citic Pharmaceutical (Shenzhen) Co., Ltd ("Citic") to provide design, consulting and clinic management services to Citic for the operation of Citic's proposed new private independent diagnostic imaging centres in China, along with a joint venture providing the potential for Capitol Health to take ownership stakes in these centres.

On 7th June 2016, the Company announced its Memorandum of Understanding with Sunshine Insurance Group Company Limited ("Sunshine") to provide teleradiology reporting, clinical training and mentoring services to Sunshine for its new 2,000 bed state of the art hospital in Weifang, Shandong Province, China.

Capitol Health is currently negotiating the formal terms of these arrangements.

Corporate Governance

The Company's Corporate Governance Statement can be found at www.capitolhealth.com.au/corporate-governance/ .

Director' Interests

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

Director	Ordinary Shares
Mr J Conidi	32,941,264
Mr A Demetriou	150,000
Mr A Harrison	3,575,773
Mr P Lewis	900,000

Options

Options Granted to Directors and Key Management Personnel

As part of the Employee Incentive Plan, 15 million employee options were issued to Mr John Conidi. The options had a strike price equal to a 50% premium on the Volume Weighted Average Price (VWAP) for the five trading days ending on 12 February 2016 being $0.2242, and were to vest in three equal tranches over a four year period. When the options were exercised the shares were to be purchased on market.

Subsequent to 30 June 2016, Mr Conidi voluntarily forfeited his right to the 15,000,000 options.

Unissued Shares under Option

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

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

Indemnification and Insurance

Indemnification of Officers

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

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

Insurance Premiums

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

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, RSM Australia Partners ("RSM"), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). This indemnity does not apply in respect of any matters which are finally determined to have resulted from RSM's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify RSM during or since the financial year.

Non-Audit Services

The Company's auditor, RSM Australia Partners did not provide any non-audit services during the year (2015: Nil).

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 20 of the financial report.

Remuneration Report (Audited)

This Remuneration Report forms part of the Directors' Report. The information provided in this report has been prepared and audited in accordance with the requirements of the Corporations Act 2001 and the Corporations Regulations 2001.

This report outlines the Remuneration Policy and framework applied by the Company, as well as details of the remuneration paid to Key Management Personnel ("KMP"). KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

The KMP of the Group are:

- Non-Executive Directors ("NEDs"); and
- Executive Directors and senior executives (collectively the "Executives").

The table below outlines the KMP of the group and their movements during the 2016 financial year:

Name	Position Held	Period
Non- Executive Directors		
Mr A Demetriou	Chairman & Non-Executive Director	Full Financial Year
Mr A Harrison	Non-Executive Director	Full Financial Year
Ms N Sheffield	Non-Executive Director	Appointed 23 December 2015
Executive Directors		
Mr J Conidi	Managing Director	Full Financial Year
Mr D Kucera	Executive Director	Resigned 28 August 2015
Mr P Lewis	Executive Director	Appointed 28 August 2015, Resigned 19 August 2016
Senior Executives		
Mr R Shnier*	Chief Executive Officer (NSW)	Appointed 15 October 2015
Ms Marie Gibson	General Manager Operations (Victoria)	Full Financial Year

*Mr Shnier works part time in his role as Chief Executive Officer NSW and is also employed by the Company as a radiologist.

(a) Remuneration Policy

The objective of the Company's remuneration philosophy is to ensure that Directors and KMP are remunerated fairly and responsibility at a level that is competitive, reasonable and appropriate, in order to attract and retain suitably skilled and experienced people. The remuneration structures are also designed to reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

Remuneration Report (Audited) - Continued

The compensation structures take into account:

a) the capability and experience of the KMP;
b) the KMP's ability to control the relevant segments performance;
c) the Group's performance including:
   i. the Group's earnings; and
   ii. the growth in share price and delivering constant returns on shareholder wealth.

(b) Remuneration Governance

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Company is responsible for making recommendations to the Board regarding the remuneration framework for Directors, executive and senior management remuneration and incentive policies, superannuation arrangements and related matters.

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

The payment of bonuses, share options and other incentive payments to KMP are reviewed by the Nomination and Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to pre-determined performance criteria.

Remuneration Consultants

During the year the Company engaged the services of Ernst & Young to provide remuneration market data in respect of the remuneration for the roles of CEO, CFO/COO and General Manager Operations and to provide advice in relation to the grant of long-term incentive awards. Ernst & Young did not provide a remuneration recommendation in relation to key management personnel as defined by Division 1 of Part 1.2 of Chapter 1 of the Corporations Act 2001.

(c) Non-Executive Director Remuneration

In accordance with best practice corporate governance, the structure of NED remuneration is clearly distinguished from that of executives. Capitol Health's NED 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.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The aggregate maximum amount of remuneration for all Non-Executive Directors, last voted upon by shareholders at the 2015 Annual General Meeting, is not to exceed $500,000 per annum. Directors' fees cover both all main board activities and membership of board committees.

(d) Executive Remuneration

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

Remuneration Report (Audited) - Continued

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

Key terms of employment for the other Executive KMPs are formalized in an Employment Agreement. The major provisions of those agreements relating to remuneration are set out below:

Name	Term of Agreement	Notice Period for Company	Notice period for Executive
Mr R Shnier*	5 years from 31 March 2015	90 days after 31 March 2018.	No termination rights during the term
Mrs M Gibson	Ongoing	3 months	3 months

*Mr R Shnier was a former partner of Southern Radiology and his notice periods reflect the consideration paid to him as one of the partners of Southern Radiology as vendors for the Southern Radiology business and asset sale. They relate to his role as a radiologist.

Fixed Compensation

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

Other Benefits

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

Short-Term Incentives

Reflecting the Company's 2016 financial year performance Executive KMPs were not awarded any Short Term Incentive ("STI") payments or bonuses. However, there were STI payments made during 2016 financial year that were in respect of performance in the preceding year, these are listed in the remuneration table, as are STI payments made in 2015 financial year in respect of performance in the preceding year.

The only exception to the above is Mr R Shnier, who was paid an STI of $293,000 in respect of his radiology work and not in respect of his role as Chief Executive Officer (NSW).

Long-Term Incentives

Long-term incentives ("LTI") may be provided to KMP via the Capitol Health Limited Employee Incentive Plan ("Plan"), as approved by shareholders at the 2015 AGM.

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

a) Assist in the attraction, retention and motivation of key employees as well as the broader Company workforce;
b) Reward key employees and other participants for strong individual and Company performance; and
c) 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.

Remuneration Report (Audited) - Continued

The LTI are provided as options over ordinary shares 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 Scheme's terms and conditions.

As part of the Employee Incentive Plan, 15 million employee options were issued by the Company to Mr John Conidi. Under Rule 2.6.1 of the Employee Incentive Plan, at Mr Conidi's election and with the Board's consent, the grant of Options was made to Idinoc Pty Ltd. The options were to vest over a four year period and when the options were to be exercised the shares were to be purchased on market in accordance with ASX Listing Rules 10.15B and 10.12, exception 4A. The options were issued to Mr Conidi after reviewing remuneration market data provided by Ernst & Young which demonstrated that Mr Conidi's total remuneration was below the 25th percentile of the market capitalisation comparator group and also indicated that an insufficient proportion of Mr Conidi's total remuneration package was based on long term incentives. The Board considered that the inclusion of significant long term incentives to be a key element contributing to the alignment of executive and shareholder interests.

Subsequent to 30 June 2016, Mr Conidi voluntarily forfeited his right to the 15,000,000 options.

No options were granted as compensation to key management personnel during the 2015 reporting year.

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

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

The Plan 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.

(e) Consequence of Performance on Shareholder Wealth

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

	Units	**2016**	**2015**	**2014**	**2013**
Net Profit / (Loss) for the Financial Year	$'000	($4,684)	$3,864	$7,233	$3,627
Dividends Paid	$'000	$3,397	$5,290	$3,014	$1,818
Share Price at Beginning of the Financial Year	cents	76.5	44.5	23.5	4.7
Share Price at End of the Financial Year	cents	16.0	76.5	44.5	23.5
Change in Share Price	cents	-60.5	32.0	21.0	18.8
Earnings Per Share (Basic)	cents	-0.90	0.81	1.68	0.94

Changes in the overall level of key management personnel's compensation takes into account the performance of the Group.

Remuneration Report (Audited) - Continued

Remuneration of Key Management Personnel

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

Key Manager's Name / Financial Year		Short-Term				Post-Employ	Long-Term	Share-Based	Total	Performance Related	Options Share of Total
		Salary & Fees	STI Cash Bonus [#1]	Other Benefits	Consulting Fees [#2]	Super-annuation Benefits	Long Service Leave	Options [#3]			
		$	$	$	$	$	$	$	$	%	%
Non-Executive Directors											
Mr A Demetriou	2016	150,000	-	-	-	14,250	-	-	164,250	0.0%	0.0%
	2015	92,307	-	-	-	-	-	-	92,307	0.0%	0.0%
Mr A Harrison	2016	70,000	-	-	160,000	-	-	-	230,000	0.0%	0.0%
	2015	63,333	-	-	-	-	-	-	63,333	0.0%	0.0%
Mr S Sewell	2015	17,307	-	-	-	1,644	-	-	18,951	0.0%	0.0%
Ms N Sheffield	2016	36,518	-	-	-	-	-	-	36,518	0.0%	0.0%
Executive Directors											
Mr J Conidi	2016	528,435	150,000	-	-	19,308	9,230	113,751	820,724	18.3%	13.9%
	2015	470,644	87,500	-	-	20,000	55,458	-	633,602	13.8%	0.0%
Mr D Kucera	2016	87,748	75,000	11,367	-	19,308	3,000	-	196,423	38.2%	0.0%
	2015	267,300	62,500	19,527	-	26,856	18,740	-	394,923	15.8%	0.0%
Mr P Lewis	2016	649,038	-	-	-	16,709	-	-	665,747	0.0%	0.0%
Senior Managers											
Ms M Gibson	2016	315,577	-	-	-	19,307	2,896	-	337,780	0.0%	0.0%
Mr R Shnier [#4]	2016	502,665	292,686	-	-	19,307	2,174	-	816,832	35.8%	0.0%
Total, All Key Management	2016	2,339,981	517,686	11,367	160,000	108,189	17,300	113,751	3,268,274	15.8%	3.5%
	2015	910,891	150,000	19,527	-	48,500	74,198	-	1,203,116	12.5%	0.0%

Notes:

[#1] - STI Bonuses to Executive Directors were payments made on the basis of the preceding financial year's performance.

[#2] - The Consulting Fees paid to Mr A Harrison's company Relentless Corporation Pty Ltd in respect of his work to generate new revenue opportunities for the Company in (

[#3] - The options granted to Mr Conidi during the current financial year have been voluntarily forfeited.

[#4] - The Salary and Fees to Mr R Shnier includes all fees in respect of both his role as NSW CEO and his work as a radiologist.

Remuneration Report (Audited) - Continued

Other Transactions with Key Management Personnel

During the financial year the Group used the sponsorship consultancy services of Bastion EBA Pty Ltd and marketing products and services from Bastion Promote Pty Ltd. Mr Demetriou is a Director of these companies. The amounts billed were $114,447 and $33,381 respectively based on normal market rates, with $22,000 outstanding to Bastion EBA at 30 June 2016.

The Group also made payments of $169,728 (with $1,160 outstanding as at 30 June 2016) to High Street Super Property Pty Ltd, for which Mr Conidi is a Director, in respect of the leased premises at the Group's Epping clinic. The lease payments are consistent with normal market rates.

No loans have been made to KMP during the 2016 financial year.

This is the end of the audited Remuneration Report.

Proceedings of Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Rounding of Amounts

The Company is a type of company 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 $1,000, or in certain cases, to the nearest dollar.

Dated at Melbourne, Victoria this 29th day of August 2016.

Signed in accordance with a resolution of the Directors:

John Conidi
Managing Director

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Capitol Health Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM

RSM AUSTRALIA PARTNERS

Miano

R B MIANO
Partner

29 August 2016
Melbourne, Victoria

Consolidated Statement of Profit or Loss

For the Year Ended 30 June 2016

	Note	2016 $'000	2015 $'000
Continuing Operations			
Revenue from Services Rendered		157,917	110,220
Other Income	3	395	1,004
Employee Benefits	4	(96,531)	(61,531)
Equipment Related Expense		(7,686)	(6,684)
Occupancy Expense		(12,068)	(7,784)
Consumables Expense		(6,032)	(4,063)
Telecommunications Expense		(2,432)	(1,652)
Management Fees		(811)	(1,448)
Computer IT & Support Expense		(2,333)	(1,383)
Insurance Expense		(1,102)	(703)
Impairment of Assets	5	(8,893)	(15)
Borrowing Expense		(7,359)	(1,545)
Acquisition Expense		(1,514)	(7,948)
Depreciation & Amortisation Expense	12	(7,023)	(4,929)
Other Expenses		(7,686)	(3,751)
Profit / (Loss) Before Income Tax		(3,158)	7,787
Income Tax on Continuing Operations	6	(1,526)	(3,923)
Profit /(Loss) for the Year		(4,684)	3,864
Profit /(Loss) for the Year Attributable to Owners of the Parent		(4,684)	3,864
Earnings per Share (cents)	26		
Total Basic Earnings for the Year		(0.90)	0.81
Total Diluted Earnings for the Year		(0.89)	0.81

The Consolidated Statement of Profit or Loss is to be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2016

	Note	2016 $'000	2015 $'000
Profit /(Loss) for the Year		(4,684)	3,864
Other Comprehensive Income / (Loss)			
Items that may be Reclassified Subsequently to Profit or Loss	20		
Exchange Translation Differences		(561)	-
Hedge Valuation Differences (Net of Tax)		(378)	-
Gain /(Loss) on Available for Sale Financial Assets (Net of Tax)		(644)	644
Total Other		(1,583)	644
Total Comprehensive Income / (Loss) for the Year		(6,267)	4,508
Total Comprehensive Income / (Loss) for the Year Attributable to Owners of the Parent		(6,267)	4,508

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 2016

	Note	2016 $'000	2015 $'000
Current Assets			
Cash and Cash Equivalents	7	15,744	36,709
Trade and Other Receivables	8	3,756	4,955
Other Financial Assets	9	135	733
Non-Current Assets Held for Sale	10	4,612	-
Other Assets	11	975	1,030
Total Current Assets		25,222	43,426
Non-Current Assets			
Other Financial Assets	9	15,602	2,454
Property, Plant & Equipment	12	35,769	37,405
Intangible Assets	13	129,970	105,959
Deferred Tax Assets	6	5,816	3,547
Total Non-Current Assets		187,157	149,365
Total Assets		212,379	192,791
Current Liabilities			
Trade and Other Payables	14	11,090	11,945
Derivative Financial Instruments	15	575	-
Employee Benefits	16	10,153	7,666
Loans and Borrowings	18	4,802	1,762
Income Tax Liability		622	1,876
Total Current Liabilities		27,242	23,249
Non-Current Liabilities			
Employee Benefits	16	1,079	996
Loans and Borrowings	18	98,399	73,280
Deferred Tax Liabilities	6	1,018	1,383
Total Non-Current Liabilities		100,496	75,659
Total Liabilities		127,738	98,908
Net Assets		84,641	93,884
Equity			
Issued Capital	19	87,849	87,543
Reserves	20	(825)	644
Retained Earnings / (Accumulated Losses)	22	(2,383)	5,697
Equity Attributable to Owners of the Parent		84,641	93,884
Total Equity		84,641	93,884

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 2016

	Note	2016 $'000	2015 $'000
Cash Flows From/(Used in) Operating Activities			
Cash Receipts in the Course of Operations		159,663	108,617
Cash Payments in the Course of Operations		(137,006)	(88,748)
Interest Received	3	262	581
Interest Paid		(4,834)	(1,545)
Income Tax Paid		(4,633)	(3,299)
Net Cash From Operating Activities	30	13,452	15,607
Cash Flows From / (Used in) Investing Activities			
Payments for Property Plant and Equipment		(7,472)	(6,984)
Payments for Subsidiaries / Business Acquisitions (Net of Cash Acquired)		(32,041)	(85,981)
Payment of Acquisition Costs		(4,886)	-
Payments for Other Financial Assets		(11,432)	(1,257)
Payments for Internally Generated Intangibles		(694)	-
Redemption of / (Payment for) Financial Asset Held to Maturity		595	(595)
Net Cash Used in Investing Activities		(55,930)	(94,816)
Cash Flows From / (Used in) Financing Activities			
Proceeds from the Issue of Share Capital		-	57,484
Payment of Share Issue Costs	19	(3)	(2,131)
Payment of Dividend	21	(3,087)	(4,774)
Payment for Leasing Arrangements		(1,924)	(4,423)
Proceeds from Secured Loans		23,527	68,643
Repayment of Secured Loans		(47,000)	(8,000)
Proceeds from Senior Unsecured Notes		50,000	-
Net Cash From Financing Activities		21,513	106,799
Net Increase / (Decrease) in Cash and Cash Equivalents		(20,965)	27,589
Cash and Cash Equivalents at 1 July		36,709	9,120
Cash and Cash Equivalents at Year End	7	15,744	36,709

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

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 2016

	Note	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
At 1 July 2014		31,542	-	7,123	38,665
Comprehensive Income / (Loss)					
Profit / (Loss) for the Year		-	-	3,864	3,864
Other Comprehensive Income / (Loss)		-	644	-	644
Total Comprehensive Income		-	644	3,864	4,508
Transactions with Equity Holders in their Capacity as Equity Holders					
Shares Issued Externally	19	57,484	-	-	57,484
Shares Issued Through DRP	19	516	-	(516)	-
Share Issue Costs (Net of GST)	19	(1,999)	-	-	(1,999)
Dividends Paid	21	-	-	(4,774)	(4,774)
Total Transactions with Equity Holders		56,001	-	(5,290)	50,711
At 30 June 2015		87,543	644	5,697	93,884
Comprehensive Income / (Loss)					
Profit / (Loss) for the Year		-	-	(4,684)	(4,684)
Other Comprehensive Income / (Loss)		-	(1,583)	-	(1,583)
Total Comprehensive Income		-	(1,583)	(4,684)	(6,267)
Transactions with Equity Holders in their Capacity as Equity Holders					
Shares Issued Through DRP	19	309	-	(309)	-
Share Issue Costs (Net of GST)	19	(3)	-	-	(3)
Dividends Paid	21	-	-	(3,088)	(3,088)
Valuation of Options Issued	20	-	114	-	114
Total Transactions with Equity Holders		306	114	(3,397)	(2,977)
At 30 June 2016		87,849	(825)	(2,383)	84,641

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

1. Summary of Significant Accounting Policies

(a) Reporting Entity

Capitol Health Limited (the "Company") is a company incorporated and domiciled in Australia. Capitol Health Limited is a company limited by shares which are publicly traded on the Australian Securities Exchange. The consolidated financial report of the Company for the year ended 30 June 2016 comprises the Company and its subsidiaries (together referred to as the "Group").

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

For the purposes of preparing the financial statements the Company is a for-profit entity.

(b) Basis of Preparation

(i) Statement of Compliance

This financial report is a general purpose financial report prepared in accordance with the Australian Accounting Standards ("AASs") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. This consolidated financial report complies with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 29 August 2016.

(ii) Basis of Measurement

The financial report is prepared on the accruals basis and the historical cost basis, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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. When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Group at the end of the reporting year during which the change occurred.

(iii) Functional Currency

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 the Company and the Group is the Australian Dollar.

(iv) Rounding of Amounts

The entity is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and accordingly the amounts in these financial statements have been rounded off to the nearest thousand dollars or in certain cases to the nearest dollar.

(v) Significant Accounting Policies

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

New and Amended Standards Adopted by the Entity

The Group has reviewed and applied all new accounting standards and amendments applicable for the first time in their annual reporting period commencing 1 July 2015, and determined that there was no material impact on the Group's financial statements in the current reporting year.

Reclassifications

Comparative amounts for Intangible Assets, Deferred Tax Assets, Trade Payables and Employee Benefits in the Statement of Financial Position as at 30 June 2015 have been adjusted as a result the completion of the accounting for the business combinations recognised during the financial year ended 30 June 2015 in accordance with the measurement period set out in AASB 3 *Business Combinations* (refer to Note 13).

(c) Significant Accounting Estimates, Assumptions and Judgements,

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

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

(i) Significant Accounting Estimates and Assumptions

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 13. If any of these estimates were to significantly change, it may have a material impact on the reported amount of goodwill.

Provision for Annual Leave and Long Service Leave

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

Estimation of Useful Lives of Assets

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

Recovery of Deferred Tax Assets

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

(ii) Significant Accounting Judgements

Recognition of Internal Costs as Assets

The Group recognises assets when an item enables the Group to derive future economic benefits and other related expenditure from related assets in excess of what could be derived had it not been acquired. Management exercises significant judgements in applying the above recognition criteria to specific circumstances and determining what constitutes an item of plant and equipment as well as to determine the element of cost that is directly attributable to bringing the asset to a location and condition necessary for it to be capable of operating in the manner intended by management.

During the financial year the Group has recognised $1,054,000 (2015: $190,000) of costs of employee benefits and other related costs arising directly from the Investment in the Unlisted Entity and Internally Generated Intangible which comprises a consolidation and integration of technology incorporating hardware and information, communication and archiving systems.

(d) Summary of Significant Accounting Policies

(i) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group until the date that control ceases.

Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Transactions Eliminated on Consolidation

Intra-Group balances and all gains and losses or income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

Non-Controlling Interests

Non-controlling interests are classified as equity in the Statement of Financial Position except where there is a contractual obligation to deliver cash or financial assets to another entity as a result of this relationship. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in net assets since the date of the combination.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. Any changes in ownership result in an adjustment between the controlling and non-controlling interests to reflect their relative interests. Any difference between the adjustment and the consideration paid is recognised in a separate reserve in equity.

(ii) Business Combinations

The Group applies the acquisition method to account for all acquired businesses, whereby the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values (with few exceptions as required by AASB 3 Business Combinations).

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group.

Acquisition-related costs (e.g. finder's fees, consulting fees, administrative costs, etc.) are recognised as expenses in the periods in which the costs are incurred and the services are received.

On acquisition date, goodwill is measured as the excess of the aggregate of consideration transferred, any non-controlling interests in the acquiree, and acquisition-date fair value of the Group's previously held equity interest in the acquiree (if business combination achieved in stages) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after appropriate reassessment, the amount as calculated above is negative, it is recognised immediately in profit or loss as a bargain purchase gain.

The acquisition-date fair value of any contingent consideration is recognised as part of the consideration transferred by the Group in exchange for the acquiree. Changes in the fair value of contingent consideration that result from additional information obtained during the measurement period (maximum one year from the acquisition date) about facts and circumstances that existed at the acquisition date are adjusted retrospectively against goodwill.

Other changes resulting from events after the acquisition date are adjusted at each reporting date, only when the contingent consideration is classified as an asset or a liability, and the adjustment is recognised in profit or loss.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. If any, changes in the value of the Group's equity interest in the acquiree that have been previously recognised in other comprehensive income are reclassified to profit or loss, if appropriate had that interest been disposed of directly.

(iii) Financial Instruments

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

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

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

a. Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above but also include as a component of cash and cash equivalents bank overdrafts (if any), which are included as borrowings on the Statement of Financial Position.

b. Other Financial Assets – Held to Maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

c. Other Financial Assets – Available for Sale (AFS)

These are non-derivative financial assets that are designated as available for sale on initial recognition or are not classified in one of the other categories of financial assets. They are carried at their fair value. However, unquoted equity instruments are carried at cost, where it is not possible to reliably measure their fair value.

Except for foreign exchange gains and losses, interest income and dividends that are recognised in profit or loss, changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and in Asset Revaluation Reserve, until the investment is disposed of or is determined to be impaired. At that time, the cumulative gain or loss previously accumulated in the Asset Revaluation Reserve is reclassified to profit or loss.

d. Trade and Other Receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful receivables where there is objective evidence that the Group will not be able to collect all of its amounts according to the original terms of the receivable.

e. Loans and Borrowings

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

f. Trade and Other Payables

Trade and other payables are recognised initially at fair value, and subsequently at amortised cost. Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 30 days.

g. Hedging

The normal course of the Group's activities exposes it to interest rate and foreign currency risks. In order to hedge these risks in accordance with the Board's written treasury policy the Group uses derivatives and other hedging instruments.

The Group adopts hedge accounting when the following conditions are satisfied:

- the hedging instrument and the hedged item are clearly identified at the inception of the hedge, and
- formal designation and documentation of the hedging relationship is in place (and updated at each reporting date) including the hedging strategy and an assessment of its effectiveness throughout the life of the hedge.

In accounting for cash flow hedging the portion of the gain or loss on an effective hedging instrument is recognised net of tax in Other Comprehensive Income and accumulated in Hedging Reserve.

Hedge accounting is not adopted where the Group enters into a hedging transaction but the strict hedging criteria prescribed by the conditions above are not met even though the transaction has its economic and business rationale. As a result changes in the fair value of these hedges are recognised in the Profit or Loss.

(iv) Share Capital

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

(v) Property, Plant and Equipment

Recognition and Measurement

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

Subsequent Costs

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

Depreciation

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

The estimated useful lives are as follows:

Plant and equipment	3 to 15 years
Office furniture and equipment	3 to 5 years
Leasehold improvements	3 to 10 years
Motor vehicles	3 to 5 years
Low value pool assets	7 years

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

(vi) Intangible Assets

Goodwill

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

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

Internally Generated Intangible Assets

Development costs represent typical internally generated assets of relevance for the Group. Costs incurred in relation to individual projects are capitalised only when the future economic benefit of the project is probable and the following conditions are met:

- the development costs can be measured reliably,
- the technical feasibility of the project has been ascertained , and
- management has the intention and ability to complete the intangible assets for use.

Internally generated intangible assets primarily relate to internally developed technology and processes.

After initial recognition, internally generated intangible assets are carried forward at cost less any accumulated amortisation and impairment losses. The estimated useful life and amortisation method are revised at the end of each reporting period and the effect of any changes in estimate being accounted for on a prospective basis.

(vii) Leased Assets

Leases under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to the initial recognition the asset is accounted for in accordance with the accounting policy applicable to the asset, with amortisation rates at the higher rate of the equivalent rate stated in Note 1(iv) for depreciation for similar classes of assets or the rate equivalent to the leased term.

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

Other leases are operating leases and the leased assets are not recognised in the Group's Statement of Financial Position. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

(viii) Impairment

Financial Assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

For AFS equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For Financial Assets Held to Maturity at Amortised Cost and where the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss.

However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of AFS equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in Asset Revaluation Reserve; impairment losses are not reversed through profit or loss.

Non-Financial Assets

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

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

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

(ix) Employee Benefits

Wages and Salaries, Annual Leave and Long Service Leave

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

Provisions made in respect of employee benefits are measured based on an assessment of the existing benefits to determine the appropriate classification under the definition of short term and long term benefits, placing emphasis on when the benefit is expected to be settled.

Short term benefits are provisions that are expected to be wholly settled within 12 months and are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long term benefits are provisions that are not expected to be wholly settled within 12 months and are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to measure them at present value at the reporting date.

Regardless of the expected timing of settlement, provisions made in respect of employee benefits are classified as a current liability unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability. Provisions made for annual leave and unconditional long service leave are classified as a current liability. Provisions for conditional long service are classified as non-current liability.

Share-Based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 17.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(x) Revenue

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

Services

Revenue is recognised when the service is rendered.

Interest Income

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

(xi) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

Tax Consolidation

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

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

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

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

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

Tax Funding Arrangements

The head entity, in conjunction with other members of the tax-consolidated entity, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated entity in respect of tax amounts.

The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/ (payables) are at call.

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

(xii) Goods and Services Tax

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

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the statement of cash flows at their nominal value inclusive of GST.

Commitments are disclosed at their nominal value inclusive of GST.

(xiii) Non-Current Assets held for Sale

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

(xiv) Earnings Per Share

The Group presents basic and, when applicable, diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic earnings for the impact of the after tax effect of costs associated with dilutive ordinary shares and the weighted average number of additional ordinary shares that would be outstanding assuming the conversion of all dilutive potential ordinary shares. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xv) Determination of Fair Values

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

Property, Plant and Equipment

The fair value of Property, plant and equipment recognised as a result of business combination is based on market approach and/or cost approach depending on the nature of each asset. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Trade and Other Receivables

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

Trade and Other Payables

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

Borrowings

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

Share-Based Payment Transactions

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

(xvi) New Accounting Standards and Interpretations Applicable to the Company in Future Periods

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting year. The Group's management assess the impact of these new standards, their applicability to the Group and early adoption where applicable.

The following applicable standards and interpretations had been issued but were not mandatory for the financial year ended 30 June 2016. The Group has not, and does not intend to, adopt these standards early.

Standards Applicable for Annual Reports Beginning on or After / Standard / Interpretation	Note on Impact on Group's Financial Statements
1 July 2016	
AASB 2014-3 - Amendments to Australian Accounting Standards ("AAAS") Accounting for Acquisitions of Interests in Joint Operations	i
AASB 2014-4 - AAAS - Acceptable Methods of Depreciation and Amortisation	ii
AASB 2014-9 - AAAS - Equity Method of Accounting for Investments	iii
AASB 2014-10 - AAAS - Sale or Contribution of Assets between Investor and its Associate	iii
AASB 2015-5 - AAAS - Investment Entities - Applying Consolidation Exception	iii
AASB 2015-10 - AAAS - Sale or Contribution of Assets between Investor and its Associate	iii
AASB 1057- Application of Australian Accounting Standards	ii
1 July 2017	
AASB 2016-1 - AAAS - Deferred Tax Assets for Unrealised Losses	iii
AASB 2016-2 - AAAS - Disclosure Initiative: Amendments to AASB 1017	ii
1 January 2018	
AASB 9 - Financial Instruments	ii
1 July 2018	
AASB 15 - Revenue from Contracts with Customers	ii
AASB 2014-5 - AAAS - AASB 15.	ii
AASB 2014-7 - AAAS - AASB 9.	iii
AASB 2014-8 - AAAS - AASB 9.	ii
AASB 2016-3 - AAAS - AASB 15.	ii
1 July 2019	
AASB 2010-7 - AAAS - AASB 9.	iii
AASB 16 - Leases	iii

Note:
i) Not relevant to Group at this moment
ii) No Impact or impact expected to be insignificant
iii) Impact is still being assessed

2. 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.

The Group's Loans and Other Financial Liabilities with relevant capital covenant requirements are detailed in Note 18 .

	2016 $'000	2015 $'000
3. Other Income		
Interest Income on Financial Assets Measured at Amortised Cost	262	581
Miscellaneous Income	133	422
	395	1,004
4. Employee Benefits		
Wages, Salaries and Self-Employed Contractors Expenses	77,990	50,870
Other Associated Personnel Expenses	5,154	2,790
Defined Contribution Superannuation Expenses	4,982	3,272
Annual and Long Service Leave Entitlements	8,021	4,426
Non-Executive Directors Fees	272	173
Valuation of Share Options Granted During the Year	114	-
	96,531	**61,531**
5. Impairment of Assets		
Listed Investment	745	-
Intangibles		
Goodwill	7,063	-
Internally Generated	1,085	-
Property Plant and Equipment	-	15
	8,893	**15**

6. Income Tax

(a) Income Tax Expense

The major components of income tax expense are:

	2016 $'000	2015 $'000
Current Income Tax		
Current Income Tax charge	3,376	4,172
Adjustments in respect of Current Income Tax of Prior Year	94	-
Deferred Income tax - Adjustments Relating to:		
Origination and Reversal of Timing Differences	(1,944)	(249)
Income Tax Expense Reported in the Statement of Profit or Loss	1,526	3,923

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

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

	2016 $'000	2015 $'000
Total Accounting Profit before Income Tax	**(3,158)**	**7,787**
At the Group's statutory income tax rate of 30% (2015: 30%)	(947)	2,336
Adjusted for the Effects of		
Non Deductible / (Assessable) Items		
Capital Acquisition Costs	311	1,707
Impairment of Goodwill	2,119	-
Valuation of Share Options Granted	34	-
Other Items	(85)	(120)
Prior Year Underprovision	94	-
Aggregate Income Tax Expense	**1,526**	**3,923**
Aggregate Income Tax Expense is Attributable to		
Continuing operations	**1,526**	**3,923**

(c) Deferred Tax Assets and Liabilities

	2016		2015	
	Items at Pre Tax Amount $'000	Items at After Tax Amount $'000	Items at Pre Tax Amount $'000	Items at After Tax Amount $'000
Deferred Tax Asset				
Employee Benefits	12,063	3,619	8,661	2,598
Accrued Expenses	2,192	658	682	204
Business Acquistion and Other Costs	2,798	839	1,347	404
Impairment				
Listed Investment	745	223	-	-
Intangible Asset Under Development	1,050	315	-	-
Changes In Valuation - Cash Flow Hedges	540	162	-	-
Other Items	-	-	1,133	340
		5,816		3,547
Deferred Tax Liability				
Prepayments	29	9	65	20
Leases	3,363	1,009	3,625	1,088
Asset Revaluation	-	-	920	276
		1,018		1,383
Net Deferred Tax Asset		4,798		2,164
Represented by:				
Recognised in Profit or Loss		3,412		1,468
Recognised in Other Comprehensive Income		162		(276)
Recognised in Business Acquisitions		1,224		972
		4,798		2,164

(d) Unrecognised temporary differences

The Group has no unrecognised temporary differences at 30 June 2016 (2015: Nil).

(e) Tax losses

The Group has no carried forward operating losses at 30 June 2016 (2015: Nil).

The Group had carried forward capital losses of $76,566 (2015: $76,566) which were incurred in 2009. A deferred tax asset was not recognised for the loss.

The balance of capital losses of $76,566 are expected to be available to offset against future capital gains subject to the Group continuing to meet statutory tests.

(f) Tax consolidation

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 Accounting a tax funding arrangement is in place between members of the Group under which payments to/from the Head Entity are recognised via an intercompany loan which is at call.

	Note	2016 $'000	2015 $'000
7. Cash and Cash Equivalents			
Cash on Hand		21	18
Cash at Bank		15,723	36,691
		15,744	36,709
8. Trade and Other Receivables			
Trade Receivables		2,722	3,862
Allowance for Credits		(115)	-
		2,607	3,862
Other Receivables		1,149	1,092
		3,756	4,955
9. Other Financial Assets			
Current			
Rental Bonds - Held to Maturity		135	138
Term Deposit		-	595
		135	733
Non-Current			
Available-For-Sale Financial Assets At Fair Value	23		
Investment in Listed Entity			
Market Value At Start Of Year		2,454	-
Cost At Start Of Year As Unlisted Entity		-	277
Additional Cost Incurred During the Year		-	1,257
Change in Fair Value	20	(920)	920
Impairment Charge for the Year	5	(745)	-
Market Value At End Of Year		790	2,454
Investment in Unlisted Entity			
At Cost		14,813	-
		15,602	2,454
10. Non-Current Assets Held for Sale			
Property		4,612	-

The Group has decided to divest its freehold properties. The minimum expectation of total proceeds (less costs to sell) exceeds its fair value . One property has successfully been sold and was settled in July 2016 for $880,000.

	Note	2016 $'000	2015 $'000
11. Other Assets			
Prepayments		975	1,030

12. Property, Plant and Equipment

	Property $'000	Plant & Equipment $'000	Leasehold Improve-ments $'000	Other Operating Assets $'000	Assets Under Construction ("AUC") $'000	Total $'000
At 1 July 2014	648	10,542	3,710	407	2,272	17,579
Additions						
Purchases	-	8,371	4,135	-	12,324	24,830
Transfer from AUC	2,106	8,256	1,997	87	(12,446)	-
Impaired Assets	-	(66)	(7)	(1)		(74)
Transfers between categories	-	(53)	(13)	66	-	-
Depreciation & Amortisation	-	(3,921)	(889)	(119)	-	(4,929)
At 30 June 2015	2,755	23,129	8,932	439	2,150	37,405
Represented By:						
Cost	2,755	36,819	11,236	830	2,150	53,790
Accumulated Depreciation	-	(13,690)	(2,304)	(391)	-	(16,385)
Net Carrying Amount	2,755	23,129	8,932	439	2,150	37,405
At 1 July 2015	2,755	23,129	8,932	439	2,150	37,405
Additions						
Purchases	1,858	-	-	-	8,210	10,068
Transfer from AUC	-	6,989	2,140	264	(9,393)	-
Transfer to Assets Held for Sale	(4,612)	-	-	-	-	(4,612)
Depreciation & Amortisation	-	(6,028)	(872)	(123)	-	(7,023)
At 30 June 2016	-	24,048	10,187	567	967	35,770
Represented By:						
Cost	-	43,040	13,351	1,063	967	58,421
Accumulated Depreciation	-	(18,992)	(3,164)	(496)	-	(22,652)
Net Carrying Amount	-	24,048	10,187	567	967	35,769

13. Intangibles

	Goodwill $'000	Internally Generated $'000	Total $'000
At 1 July 2014	30,223	-	30,223
Additions			
Acquisition of Entities & Businesses	75,736	-	75,736
At 30 June 2015	105,959	-	105,959
Represented By:			
Cost	107,854	-	107,854
Accumulated Amortisation and Impairment	(1,895)	-	(1,895)
Net Carrying Amount	105,959	-	105,959
At 1 July 2015	105,959	-	105,959
Additions			
Acquisition of Entities & Businesses	31,074	-	31,074
Addition - Internally Generated	-	1,085	1,085
Impairment Charge for the Year	(7,063)	(1,085)	(8,148)
At 30 June 2016	129,970	-	129,970
Represented By:			
Cost	138,928	1,085	140,013
Accumulated Amortisation and Impairment	(8,958)	(1,085)	(10,043)
Net Carrying Amount	129,970	-	129,970

Business combinations

(i) Acquisition of Corporate Entities

Control of the following corporate entities was obtained through the purchase of 100% of the issued share capital and the recognition of identifiable assets and liabilities assumed.

2016 Financial Year

Eastern Radiology Services Pty Limited – ACN 128 588 376 Date: 1 July 2015

2015 Financial Year

Imaging @ Olympic Park Pty Ltd – ACN 132 368 524 Date: 6 February 2015

(ii) Acquisition of Business Assets

Control of the following operation entities was obtained through the purchase of the operating and legal business assets of the vendors and the recognition of identifiable assets and liabilities assumed.

2016 Financial Year

Sunrise Radiology Date: 17 August 2015
Liverpool Diagnostics Date: 19 October 2015

2015 Financial Year

Southern Radiology Date: 1 April 2015
Sydney Radiology Date: 11 June 2015

(iii) Revenue and Profit from Business Acquired

The acquired businesses contributed revenues and net profit as follows:

2016 Financial Year

- Eastern Radiology Services Pty Limited, revenues of $10,683,000 and net profit of $957,814 to the Group for the period from 1 July 2015 to 30 June 2016 at a notional company tax rate of 30%,
- Sunrise Radiology, revenues of $1,139,000 and net profit of $100,000 to the Group for the period from 17 August 2015 to 30 June 2016 at a notional company tax rate of 30%; and
- Liverpool Diagnostics, revenues of $4,844,000 and net loss of $117,000 to the Group for the period from 16 October 2015 to 31 December 2015 at a notional company tax rate of 30%.

AASB 3 *Business combinations* require a consolidated pro-forma revenue and profit for the year ended 30 June 2016 as if the acquisitions had occurred on 1 July 2015. However management has determined that the revenues and net profit from 1 July 2015 to acquisition date for Sunrise Radiology and Liverpool Diagnostics would be insignificant and is impracticable after considering the various factors contained within the definitions contained within paragraph 5 (a) through (c) (ii) of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to the pre-acquisition operating environment of each acquisition.

(iii) Consideration

The inherent goodwill in the acquisition comprises the historical revenue streams of the assets, the referrer network associated with those revenue streams and the transfer of skilled employees in a tight labour market.

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

2016 Financial Year

	Eastern Radiology $'000	Liverpool Diagnostics $'000	Sunrise Radiology $'000	Total $'000
Payment for 100% of the Issued Shares in the Entity	27,811	-	-	27,811
Payment for Business Assets	-	4,103	245	4,348
Deferred & Contingent Consideration Payable at Year End	-	1,500	54	1,554
Employee Entitlements Assumed	473	657	14	1,143
Financial Liabilities Assumed	227	-	-	227
Cash Acquired	(118)	-	-	(118)
Recognition of Financial Assets	(304)	(64)	-	(368)
Recognition of Fixed Assets	(1,601)	(1,580)	-	(3,181)
Recognition of Deferred Tax Asset	(142)	(197)	(4)	(343)
Goodwill Acquired	26,346	4,420	308	31,074

2015 Financial Year

	Imaging @ Olympic Park $'000	Southern Radiology $'000	Sydney Radiology $'000	Total $'000
Payment for 100% of the Issued Shares in the Entity	24,643	-	-	24,643
Payment for Business Assets	-	59,738	1,600	61,338
Payment of Net Completion Balance Sheet Items	938	-	-	938
Recognition of Net Balance Sheet Items on Take-on	(938)	-	-	(938)
Employee Entitlements Assumed	357	1,737	41	2,135
Financial Liabilities Assumed	-	1,136	131	1,267
Recognition of Financial Assets	-	(170)	-	(170)
Recognition of Fixed Assets	(2,343)	(10,163)	-	(12,506)
Recognition of Deferred Tax Asset	-	(971)	-	(971)
	22,657	51,307	1,772	75,736

In line with appropriate Australian accounting standards and within the prescribed measurement period to finalise acquisition accounting entries the Parent Entity in respect to prior year acquisitions has recognised additional liabilities of $1,267,000 and a corresponding recognition of additional deferred tax of $340,000 resulting in a net increase in goodwill of $927,000.

(iv) Impairment Testing for Cash-Generating Units (CGU) Containing Goodwill

In accordance with AASB 136 Impairment of Assets, the Group's operations in Victoria and NSW have individually been tested as having identifiable cash flows representing two CGUs for testing for any potential impairment charge applicable to the Goodwill valuation carried in the accounts of the Group.

Impairment testing was based on value-in-use calculations for each individual CGU. The discount rates (post tax) used to determine recoverable amounts as at 30 June 2016 for each CGU is 11.6% (2015: 12.6% for Victoria and 14.1% for NSW). The directors formed the view that the differentiation between the discount rates for the CGU's was no longer appropriate due to the NSW acquisitions being fully operational and integrated into the broader business structure as at 30 June 2016; assets in each CGU are not, in aggregate, materially different with regard to growth assumptions applied or their life cycle positions; and no particular risk-weighting was deemed applicable to one CGU or the other for valuation purposes. The discount rate includes the current actual cost of debt and equity cost based on market comparatives.

Discounted cash flows for the total operating entity have been estimated from a basis of recent and near-term budgeted performance. Following the twelve month budgeted outlook (which incorporates the government's announced removal of the bulk billing incentive and related impacts) to 30 June 2017, a revenue growth assumption of 5% per annum is assumed for the remainder of a period of five years. The revenue growth assumption was determined after reference to the historical annual growth in the applicable sector markets since 2000 averaging over 5% per annum in services performed and over 7% per annum in Medicare billings. Market growth is expected to continue, supported by the ageing and expanding Australian population and continuing high demand for diagnostic imaging. The operating expense growth of 3% per annum has been determined after reference to an independent reputable economic forecasting service which estimates 3.1% for Average Weekly Earnings outlook to 2021, and CPI of 2.2% to 2021. The terminal value including 2.5% growth has been included in the estimate of recoverable amount, again predicated on the continued demand for diagnostic imaging beyond the immediate five year forecast period.

If any of the assumptions above were to significantly alter in a negative manner, this may result in an impairment loss in the reported amount of goodwill for the Group.

The excess of Goodwill at cost less accumulated impairment losses over the recoverable amount at the end of the financial year is an impairment charge for the financial year as shown in Note 5.

14. Trade and Other Payables

	Note	2016 $'000	2015 $'000
Trade Creditors		1,618	3,329
Other Creditors and Accruals		9,471	8,616
		11,090	11,945

15. Derivative Financial Instruments

	Note	2016 $'000	2015 $'000
Interest Rate Hedges		540	-
Forward Foreign Currency Contracts		35	-
		575	-

16. Employee Benefits

	Note	2016 $'000	2015 $'000
Current			
Annual Leave		5,397	4,229
Long Service Leave		4,756	3,437
		10,153	7,666
Non-Current			
Long Service Leave		1,079	996

17. Share Based Payments

The Parent Entity operates an incentive plan known as the Capitol Health Limited Employee Incentive Plan ("Plan") approved at the general meeting held on 16 November 2015. 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 the issue of new shares or by the Parent Entity, 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). 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.

During the financial year 15,000,000 options (2015: 0) were issued pursuant to the Plan to Idinoc Pty Ltd in respect of Mr John Conidi. The options were unlisted and exercisable at $0.2242 each and expire on 15 February 2020. The options vest in 3 equal tranches of 5,000,000:

- the first vesting period on the day the Parent Entity's 2017 financial results are announced to the Australian Stock Exchange,
- the second vesting period on the day the Parent Entity's 2018 financial results are announced to the Australian Stock Exchange, and
- the third vesting period on the day the Parent Entity's 2019 financial results are announced to the Australian Stock Exchange.

Subsequent to balance date Mr Conidi has voluntarily forfeited his right to 15,000,000 options. The related expense for the Company will be recognised as Employee Benefits expense in the 2017 Financial Year.

18. Loans and Borrowings

	Note	2016 $'000	2015 $'000
Current			
Secured Equipment Finance Facilities	i	1,421	1,762
Promissory Note	ii	3,381	-
		4,802	1,762
Non-Current			
Secured Bank Loan	iii	43,670	67,143
Secured Equipment Finance Facilities	i	4,729	6,137
Senior Unsecured Notes	iv	50,000	-
		98,399	73,280
	v	103,201	75,042

Notes on Terms of Loans and Borrowings

i) The contractual cash flows of finance lease liabilities at maturity, including interest, are disclosed in Note 24.

ii) The Promissory Note relates to the balance of the deferred settlement on the equity investment in Enlitic Inc. The Note is secured only by the Group's equity interest in Enlitic. The Note was established on 10 February 2016 which set out a schedule of payments of the US $10m investment whereby US$5m was paid at the time of Note establishment and 2 instalments of US$2.5m each were paid on 15 April 2016 and 15 August 2016. This Note was agreed at an interest rate of 0.75% per annum on outstanding balances between the time of Note establishment and the date of final settlement.

iii) The Secured Bank Loan is the amount drawn under the Amended and Restated Bilateral Facilities Agreement with National Australia Bank dated 28 April 2016. The facility matures in February 2020. Capitol Health and each Australian subsidiary in the Group has granted a security interest over the whole of its assets and undertakings and granted the right to register that security interest under the Personal Property Securities Act.

The incremental variable cost of debt at 30 June 2016 was 4.2% (2015: 3.55%).

As per Amended and Restated Bilateral Facilities Agreement the Group is subject to the following financial covenants:

a) Interest Cover Ratio of greater than or equal to 2.5 and,
b) Net Leverage Ratio of less than or equal to 2.5.

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

Notes on Terms of Loans and Borrowings (Continued)

iv) The Senior Unsecured Notes were issued during the financial year. National Australia Bank acted as Lead Manager and Initial Subscriber to the Notes, with FIIG Securities Limited acting as Co-Manager. The notes mature in May 2020. The facility is unconditionally and irrevocably guaranteed by the Parent Entity and certain controlled entities. Upon settlement, proceeds from the Senior Unsecured Notes were used to repay outstanding principal under the Secured Bank Loan, as well as transaction fees and other general corporate purposes.

The facility bears interest at a fixed rate of 8.25%.

The notes are subject to certain financial and other covenants, whereupon certain actions taken by the Group may be subject to covenant testing in accordance with the Senior Unsecured Notes documentation. Detailed information is available in the Information Memorandum and Pricing Supplement released to the ASX on 28 April 2016.

v) For more information about the Group's exposure to market and liquidity risk, see Note 23.

Utilisation of secured facilities

	Facility $'000	Utilised $'000	Available $'000
At 30 June 2016			
Secured Bank Loan	80,000	43,670	36,330
Rental Guarantee	10,000	1,230	8,770
Credit Card	400	34	366
	90,400	44,934	45,466
At 30 June 2015			
Secured Bank Loan	108,100	67,143	40,957
Rental Guarantee	1,500	594	906
Credit Card	150	39	111
	109,750	67,776	41,974

Finance Lease Liabilities

The contractual cash flows of finance lease liabilities at maturity including interest are disclosed at Note 23.

19. Issued Capital

	2016 $'000	2015 $'000
Issued Capital		
523,070,161 (30 June 2015: 522,567,973) Fully Paid Ordinary Shares	87,849	87,543

The following movements in issued capital occurred during the Year:

	2016		2015	
	Number of Shares	$'000	Number of Shares	$'000
Balance at the Beginning of the Year	522,567,973	87,543	431,180,115	31,542
Issue of Shares for Acquisition	-	-	64,727,590	37,542
Share Purchase Plan	-	-	26,035,351	19,942
Dividend Reinvestment Plan	502,188	309	624,917	516
Share Issue Costs (net of GST)	-	(3)	-	(1,999)
Balance at the End of the Year	523,070,161	87,849	522,567,973	87,543

The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

Options

Options Granted During the Year

There were 15,000,000 options issued during the financial pursuant to the Capitol Health Limited Employee Incentive Plan as detailed in Note 17. Subsequent to balance date the option holder has voluntarily forfeited his right to 15,000,000 options.

Unissued Shares under Option

At balance date, there were no unissued ordinary shares of the Company under option (2015: 0).

20. Reserves

	Currency Translation $'000	Cash Flow Hedges $'000	Asset Revaluation $'000	Option $'000	Total $'000
At 1 July 2014	-	-	-	-	-
Revaluation of Investments	-	-	920	-	920
- Deferred Tax Thereon	-	-	(276)	-	(276)
At 30 June 2015	-	-	644	-	644
Exchange Differences on Translation of Foreign Subsidiaries	(561)	-	-	-	(561)
Valuation of Interest Rate Hedges	-	(540)	-	-	(540)
- Deferred Tax Thereon	-	162	-	-	162
Revaluation of Investments	-	-	(920)	-	(920)
- Deferred Tax Thereon	-	-	276	-	276
Valuation of Options Issued	-	-	-	114	114
Movement For Financial Year	(561)	(378)	(644)	114	(1,469)
At 30 June 2016	(561)	(378)	-	114	(825)

21. Dividends

Total Dividends Paid on Ordinary Shares During the Year

Details of dividends paid during the year are contained within the Directors report.

Dividends Not Recognised at Year End

Since the end of the year the Directors have not declared a final dividend (2015: $0.0065 fully franked).

The aggregate maximum amount of final dividend based on the ordinary shares on issue at the date of this report and to be paid out of retained profits at the end of the year, subject to any DRP election, but not recognised as a liability is:

	2016 $'000	**2015** $'000
Final Dividend	-	3,397

22. Retained Earnings

Retained Earnings at the Beginning of the Year	5,697	7,123
Profit / (Loss) for the Year	(4,684)	3,864
Dividends Issued During the Year	(3,397)	(5,290)
Retained Earnings / (Accumulated Losses) at the End of the Year	(2,383)	5,697

23. Information on Financial Risk

In performing its operating, investing and financing activities the Group is exposed to the following financial risks:

- o credit risk
- o liquidity risk
- o market risk – interest and foreign currency rates, changes in equity valuation.

In order to effectively manage these risks the Board has established an overall risk strategy that focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security. The strategy includes a Risk Management Policy which sets out the Group's system of risk oversight, management of material business risks and internal control. The Board is responsible for approving and reviewing the Risk Management Policy. The Audit and Risk Committee is responsible for identifying, monitoring and managing significant business risks faced by the Group and considering the effectiveness of its internal control system. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. Management and the Audit and Risk Committee report to the Board.

a) Financial Assets and Liabilities

The following table summarises the carrying amount of financial assets and financial liabilities recorded by category.

	2016 $'000	**2015** $'000
Financial Assets		
Cash and Cash Equivalents	15,744	36,709
At Amortised Cost		
Trade and Other Receivables	3,756	4,955
Financial Assets Held to Maturity	135	733
	3,891	5,688
At Fair Value		
Available for Sale Financial Assets		
Investment in Listed Entity	790	2,454
At Cost		
Investment in Un-Listed Entity	14,813	-
	35,238	44,851

	2016 $'000	2015 $'000
Financial Liabilities		
At Amortised Cost		
Trade and Other Payables	11,090	11,945
Bank Loans	43,670	67,143
Senior Unsecured Notes	50,000	-
Secured Equipment Finance	6,150	7,899
Promissory Note	3,381	-
	114,291	86,987
At Fair Value		
Derivative Financial Instruments		
Interest Rate Hedges	540	-
Forward Foreign Currency Contracts	35	-
	575	-
	114,866	86,987

Financial Assets Measured At Fair Value

The following table provides an analysis of financial assets and liabilities that are measured at fair value grouped into Levels 1 to 3 based on the degree to which the significant inputs are observable - as detailed in Note 1 (b) (ii).

		Fair Value Measurement Hierarchy At End of Reporting Period					
		Level 1		Level 2		Level 3	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial Assets							
Available-For-Sale Financial Assets							
Investment in Listed Entity	i)	790	2,454	-	-	-	-
		790	2,454	-	-	-	-
Financial Liabilities							
Derivative Financial Instruments	ii)						
Interest Rate Hedges		-	-	(540)	-	-	-
Forward Foreign Currency Contracts		-	-	(35)	-	-	-
		-	-	(575)	-	-	-

Note:
i) The Investment in the Listed Entity is in the ASX Listed Mach7 Technologies Limited and the fair value is determined by reference to quoted prices at the end of the financial year.
ii) The valuation of the Derivative Financial Instruments is derived from market rates at the end of the financial year.

The Directors consider that the carrying amount of other financial assets and financial liabilities recorded in the financial statements approximate their fair values.

b) Credit Risk

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

Exposure to Credit Risk

The maximum credit risk to which the Group is exposed is summarised below.

	2016 $'000	2015 $'000
Cash and Cash Equivalents	15,744	36,709
Other Financial Assets	135	733
Trade and Other Receivables	3,756	4,955
	19,635	42,396

Cash and cash equivalents represent bank balances and short term deposits as is the Other Financial Assets which are held as rental bonds.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. The Group's trade receivables are mainly related to federal Government funded Medicare rebate claims and therefore management has assessed the related credit risk as insignificant. The Group reviews trade and other receivables regularly to estimate incurred losses and establish an allowance for impairment, if required. At 30 June 2016 the Group has an impairment allowance on its trade receivables of $115,000 (2015: Nil).

Available for Sale Assets are in the form of investments in equity securities and accordingly they have no exposure to credit risk.

c) Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet their debts as they fall due.

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

Exposure to Liquidity Risk

The following are the contractual maturities of financial liabilities, including interest payments and applicable GST at the reporting date:

	Carrying Amount $'000	Contractual Cash Flows $'000	Less Than 1 Year $'000	1 - 5 Years $'000	More Than 5 Years $'000
30 June 2016					
Trade and Other Payables	11,090	11,090	11,090	-	-
Secured Bank Loans	43,670	43,670	-	43,670	-
Secured Equipment Finance	6,150	6,963	1,748	5,215	-
Promissory Note	3,381	3,381	3,381	-	-
Senior Unsecured Notes	50,000	50,000	-	50,000	-
	114,291	115,104	16,219	98,885	-
30 June 2015					
Trade and Other Payables	11,945	11,945	11,945	-	-
Secured Bank Loans	67,143	67,143	-	67,143	-
Secured Equipment Finance	7,899	9,142	2,214	5,591	1,337
	86,987	88,229	14,159	72,734	1,337

d) Market Risk

Market risk is the risk of changes in financial instruments due to changes in interest rates, foreign currency exchange movements and other equity price changes that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

i) Interest Rate Risk

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

The Directors manage these risks by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates and enter into derivative financial instruments as required by lenders and determined from time to time to best manage this risk.

Exposure to Interest Rate Risk

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

	2016 $'000	2015 $'000
Fixed Rate Instruments		
Financial Assets	135	733
Financial Liabilities	59,531	7,899
	(59,396)	(7,166)
Variable Rate Instruments		
Financial Assets	15,744	36,709
Financial Liabilities	43,670	67,143
	(27,926)	(30,434)

Sensitivity Analysis for Variable Interest Rate Instruments

A change of 100 basis points in interest rates at reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The reasonable change has been calculated on the basis of historical changes in interest rates. This analysis assumes that all other variables remain constant. The analysis included a review of current volatility factors in the market has resulted in management believing that there are reasonable grounds to retain the methods and assumptions from the previous period as unchanged.

	Profit or Loss		**Equity**	
	100 bp Increase $'000	100 bp Decrease $'000	100 bp Increase $'000	100 bp Decrease $'000
Sensitivity - Variable Interest Rate Instruments				
As At 30 June 2016	(279)	279	(279)	279
As At 30 June 2015	(304)	304	(304)	304

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

Derivative Financial Instruments to Manage Variable Interest Rate Risk

	2016 $'000	**2015** $'000
The Group has in place derivative financial instruments for cash flow hedging purposes only. At the end of the financial year the value of these deivatives is:		
Gain / (Loss) on Interest Rate Swaps	(540)	-
The interest rate swaps are designed to convert floating rate borrowings to fixed rate exposure of 2.41% (2015: 2.44%) with the notional values having the following maturity profile:		
Within One Year	7,000	-
One Year or Later and No Later than Five Years	33,000	33,000
	40,000	33,000

The fair value of interest rate swaps is determined on the basis of the current value of the difference between the contractual interest rate and the market rate at the end of the financial year.

The interest rate swaps were deemed to be effective during the reporting years and accordingly any movement in the valuation of these interest rate swaps is included in Reserves.

ii) Foreign Currency Risk

The Directors manage these risks by monitoring levels of exposure to currency rate risk with projected timeframes and assessing market forecasts for foreign currency rates and may enter into derivative financial instruments from time to time to best manage this risk.

Exposure to Foreign Currency Price Risk

At reporting date the foreign currency profile of the Group's financial instruments was:

	2016 $'000	2015 $'000
US Dollars		
Financial Assets		
Available for Sale Financial Assets at Fair Value		
Investment in Un-Listed Entity	14,813	-
Financial Liabilities		
Loans and Borrowings	3,381	-
	11,432	-

Sensitivity Analysis for Foreign Currency Risk

A 10% change in the exchange rate of the Australian Dollar against the US Dollar at reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis considered the derivative financial instrument in place to hedge $US1,250,000 in relation to the US Dollar Promissory Note and assumes that all other variables remain constant. The analysis included a review of current volatility factors in the market has resulted in management believing that it is reasonable.

	Profit or Loss		Equity	
	10% Increase $'000	10% Decrease $'000	10% Increase $'000	10% Decrease $'000
Sensitivity - Foreign Currency Rates				
As At 30 June 2016	-	-	(673)	823
As At 30 June 2015	-	-	-	-

Derivative Financial Instruments to Manage Foreign Currency Price Risk

	2016 $'000	2015 $'000
The Group has in place derivative financial instruments for cash flow hedging purposes only. At the end of the financial year the value of these deivatives is:		
Gain / (Loss) on Forward Foreign Currency Contract	(35)	-
The forward foreign currency contracts are designed to convert floating rate exposure to fixed rate exposure of USD 0.7275 (2015: 0) with the notional values having the following maturity profile:		
Within One Year	1,683	-
	1,683	-

The fair value of forward foreign currency contracts is determined on the basis of the current value of the difference between the contractual currency rate and the market rate at the end of the financial year.

iii) Equity Valuation Risk

Exposure to equity price risk arises due to the inherent risk of the possibility of unfavourable movements in the market value of the investments.

Exposure to Equity Price Risk

The Group is exposed to equity price risk on its Available for Sale Assets as listed in Note 9.

Sensitivity Analysis for Equity Value Risk

A 10% change in the equity value of the Available For Sale Financial Assets at reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or Loss		**Equity**	
	10% Increase $'000	10% Decrease $'000	10% Increase $'000	10% Decrease $'000
Sensitivity - Equity Valuations				
As At 30 June 2016	1,481	(1,481)	1,560	(1,560)
As At 30 June 2015	-	-	245	245

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

Derivative Financial Instruments to Manage Equity Price Risk

The Group has not entered into any derivative financial instruments to manage equity valuation risk.

	2016	2015
	$'000	$'000

24. Commitments

Future operating lease rentals not provided for in the financial statements and payable:

Property and Facility Operating Lease Commitments

Future operating lease rentals not provided for in the financial statements and payable:

	2016 $'000	2015 $'000
Within One Year	9,720	8,343
One Year or Later and No Later than Five Years	17,895	6,998
More than Five Years	332	31
	27,948	15,372

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

Plant and Equipment Operating Lease Commitments

	2016 $'000	2015 $'000
Within One Year	3,112	2,312
One Year or Later and No Later than Five Years	4,250	3,570
More than Five Years	1,443	-
	8,806	5,882

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

During the year ended 30 June 2016 $11,359,000 was recognised as an expense in the statement of Profit or Loss in respect of operating Property, plant and equipment leases (2015: $8,150,000).

Plant and Equipment Purchases

	2016 $'000	2015 $'000
Within One Year	1,700	-

25. Contingencies

Contingent Liabilities

a) Rental Guarantees

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

As at 30 June 2016 rental guarantees not supported by a dedicated deposit totalled $1,230,000 (2015: $758,000).

b) Credit Cards

The Group has a contingent liability for expenses incurred on Corporate Credit cards that may not be recorded on banking statements at year end. The maximum extent of liability is indicated in Note 18.

26. Earnings Per Share

	2016 $'000	2015 $'000
Profit / (Loss) Attributable to Ordinary Shareholders		
Net Profit / (Loss) for the Year	(4,684)	3,864
	Cents	Cents
Earnings Per Share:		
Basic	(0.90)	0.81
Diluted	(0.89)	0.81

Earnings per Share

The calculation of earnings per share at 30 June 2016 was based on the profit / (loss) attributable to ordinary shareholders of -$4,684,000 (2015: $3,864,000) and a weighted number of ordinary shares outstanding during the financial year ended 30 June 2016 of 522,913,742 (2015: 475,851,997) calculated as follows:

	2016 Number	2015 Number
Weighted Average Number of Ordinary Shares		
Issued ordinary shares at 1 July	522,567,973	431,180,115
Shares issued for acquisition	-	34,757,829
Shares issued for purchase plan	-	9,629,513
Shares issued under Dividend Reinvestment Plan	345,769	284,539
	522,913,742	475,851,997

Diluted Earnings per Share

The calculation of diluted earnings per share at 30 June 2016 was based on the loss attributable to ordinary shareholders of $4,684,000 (2015: profit of $3,864,000) and a weighted number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares during the financial year ended 30 June 2016 of 528,528,496 (2015: 475,851,997) calculated as follows:

Weighted Average Number of Potential Ordinary Shares		
Weighted Average Number of Ordinary Shares	522,913,742	475,851,997
Effect of Share Options on Issue	5,614,754	-
	528,528,496	475,851,997

27. Controlled Entities

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

Controlled entity	Country of Incorporation	Equity Interest 2016	Equity Interest 2015
Capital Global Pty Ltd	Australia	100%	0%
Capital Radiology Pty Ltd	Australia	100%	100%
Capital Radiology (NSW) Pty Ltd	Australia	100%	100%
Capital Treasury Pty Limited	Australia	100%	0%
CAJ Holdings Pte Ltd	Singapore	100%	0%
CAJ Investments Pte Ltd	Singapore	99.99%	0%
CHL Operations Pty Ltd	Australia	100%	100%
Diagnostic MRI Services Pty Ltd	Australia	100%	100%
Diagnostic MRI Services Unit Trust	Australia	100%	100%
Eastern Radiology Services Pty Limited	Australia	100%	0%
Eastern Radiology Services Unit Trust	Australia	100%	0%
Imaging @ Olympic Park Pty Ltd	Australia	100%	100%
Imaging @ Olympic Park Unit Trust	Australia	100%	100%
MDI Group Pty Ltd	Australia	100%	100%
MDI Manningham Pty Ltd	Australia	100%	100%
MDI Radiology Pty Ltd	Australia	100%	100%
Radiology One Pty Ltd	Australia	100%	100%

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

28. Related Parties

Key Management Personnel Remuneration

	2016 $	2015 $
Short-Term Employee Benefits	2,869,034	1,080,418
Consulting Fees	160,000	-
Post-Employment Benefits		
Contributions to Defined Contribution Plans	108,189	48,500
Long-Term Employee Benefits	17,300	74,198
Share-Based Payments	113,751	-
	3,268,274	**1,203,116**

Individual Key Management Personnel Compensation Disclosures

Information regarding individual key management personnel compensation as required by Corporation Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors Report on pages 14 to 19.

Other Key Management Personnel Transactions with the Company or its Controlled Entities

A number of key management persons, or their related parties, may hold interests or positions in other entities that may result in them having control or significant influence over the financial or operating policies of those entities. A number of those entities may have transacted with the Company or its subsidiaries during the year.

The Boards 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.

Such transactions are detailed below.

Director	Transaction	Transaction Value In Financial Year		Balance Outstanding at end of Financial Year	
		2016 $	2015 $	2016 $	2015 $
Mr J Conidi	Note i) - Rent expenses	169,728	163,200	1,160	-
Mr A Demetriou	Note ii) - Consulting expenses	147,828	10,000	22,000	10,000

Notes in relation to the table of related party transactions

i) A superannuation fund of which Mr Conidi is amongst its beneficiaries has acquired an interest in the ownership of commercial premises that provide rental accommodation for a single facility of the consolidated entity. Terms for such accommodation was based on market rates, generally accepted market lease terms & conditions and amounts are payable on a monthly basis.

ii) Capitol Health has entered into arrangements with a specialised sponsorship management company that Mr Demetriou is a Director of.

Options and Rights over Equity Instruments

During the reporting year there were options over ordinary shares in Capitol Health Limited granted to key management personnel as detailed in Notes 17 and 19.

Movement in Shares

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

Financial Year / Name of Director	Held at Year Opening	Purchases	Disposals	Held at Resignation	Held at Year End
2016					
Mr J Conidi	32,641,264	300,000	-	-	32,941,264
Mr A Demetriou	-	150,000	-	-	150,000
Mr A Harrison	3,508,773	67,000	-	-	3,575,773
Mr D Kucera	1,345,810	-	-	(1,345,810)	-
Mr P Lewis	-	900,000	-	-	900,000
Mr R Shnier	-	100,000	-	-	100,000
2015					
Mr J Conidi	32,626,264	15,000	-	-	32,641,264
Mr A Harrison	3,508,773	-	-	-	3,508,773
Mr D Kucera	1,335,675	10,135	-	-	1,345,810
Mr S Sewell	110,950	842	-	(111,792)	-

No shares were granted to key management personnel during the reporting year or prior reporting year as compensation.

29. Segment Information

The Group comprises the single business segment of the acquisition and operation of diagnostic imaging facilities. The diagnostic imaging segment operates from the single geographic segment of Australia. The segment is defined by the national registration available for diagnostic imaging. Given the infrastructure and techniques employed by the Parent Entity, further sub-division of the geographic area is deemed unnecessary. Senior Management and the Board regularly review the Group's operating results to allocate resources and assess/ review the Group's performance as a whole. As the Group operates in a single business and geographic segment, no further disclosure is required.

30. Reconciliation of Cash Flows Provided by Operating Activities

	2016 $'000	2015 $'000
Cash Flows from Operating Activities		
Profit / (Loss) for the Year	(4,684)	3,864
Adjustments For		
Depreciation and Amortisation	7,023	4,929
Impairment of Assets	8,893	15
Income Tax Expense	1,526	3,923
Interest Expense	696	-
Operating Profit before Changes in Working Capital & Provisions	**13,455**	**12,731**
Change in Trade and Other Receivables	1,425	(2,691)
Change in Net Other Assets	195	(417)
Change in Trade and Other Payables	(3,248)	5,327
Change in Provisions and Employee Benefits	1,625	657
Net Cash Provided by Operating Activities	**13,452**	**15,607**

	2016	2015
	$'000	$'000

31. Parent Entity Disclosures

	2016 $'000	2015 $'000
Financial Information		
Operating Profit / (Loss)	(745)	-
Other Comprehensive Income / (Loss)	(521)	-
Total Comprehensive Income / (Loss) for the Year	(1,266)	-
Total Assets	87,107	88,463
Total Liabilities	(223)	276
Issued Capital	87,849	87,543
Reserves	-	644
Total Equity	87,849	88,187
Guarantees	49,820	75,042

Dividends

No dividend from a controlled entity was accrued in 2016 (2015: Nil).

Guarantees

The Parent Entity has provided financial guarantees in respect of bank overdrafts, finance leases and loans of the subsidiaries amounting to $49,820,000 (2015: $75,042,000), secured by a first registered charge over the assets of the entity.

All entities within the Group as listed in Note 27 are party to the Deed of Guarantee provided to National Australia Bank.

Other Commitments

The Parent Entity has no commitments (2015: Nil) and has no contingent liabilities.

32. Auditors' Remuneration

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

	2016 $	2015 $
Audit Services		
Auditors of the Company		
RSM Australia Partners		
Audit and Review of Financial Reports	331,105	150,000

33. Events Subsequent to Balance Date

The following events arose subsequent to balance date:

- Mr Conidi voluntarily forfeited his right to 15,000,000 options, and
- Mr Lewis resigned as Director effective 19 August 2016.

There are no other matters or circumstances since 30 June 2016 that have significantly affected or may significantly affect the Group's operations, its results or the Group's state of affairs in future years.

In the opinion of the Directors of Capitol Health Limited:

(a) the financial statements and notes thereto and the Remuneration Report contained in the Directors’ Report, set out on pages 14 to 19, are in accordance with the Corporations Act 2001, including:

 (i) giving a true and fair view of the Group’s financial position as at 30 June 2016 and its performance for the financial year ended on that date; and

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

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

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

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 for the financial year ending 30 June 2016.

Signed in accordance with a resolution of the Directors.

John Conidi
Managing Director

Dated at Melbourne, Victoria this 29th day of August 2015.

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CAPITOL HEALTH LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Capitol Health Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

In conducting our audits, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Capitol Health Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Capitol Health Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year then ended; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 19 of the directors' report for the financial year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Capitol Health Limited for the financial year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

RSM

RSM AUSTRALIA PARTNERS

Miano

R B MIANO
Partner

29 August 2016
Melbourne, Victoria

Details of shares and options as at 6 August 2015:

Top holders

The 20 largest holders of each class of equity security as at 6 August 2015 were:

Fully Paid Ordinary Shares

Name	No. of Shares	%
Idinoc Pty Ltd <J & R Conidi Family A/C>	28,927,886	5.53
Gia Chau Pty Ltd	14,800,000	2.83
Mr Peter Hunt + Mrs Janette Hunt <Hunt Super Fund A/C>	12,809,792	2.45
J P Morgan Nominees Australia Limited	11,391,179	2.18
Nick Conidi Pty Ltd <Conidi Family A/C>	10,014,740	1.91
Stelhaven Smsf Pty Ltd <Stelhaven Super Fund A/C>	9,677,419	1.85
Sandhurst Trustees Ltd <Endeavor Asset Mgmt Mda A/C>	9,283,450	1.77
Citicorp Nominees Pty Limited	8,337,299	1.59
Mr Nicola Conidi + Mrs Giannina Conidi <Nick & Jan Conidi S/F A/C>	7,303,253	1.40
UBS Nominees Pty Ltd	7,214,000	1.38
Ms Stella Ha	6,551,083	1.25
Mr Wayne David Mcgregor	6,098,499	1.17
HSBC Custody Nominees (Australia) Limited	4,739,174	0.91
Hishenk Pty Ltd	4,700,000	0.90
Teleah Pty Ltd <Jr Sauvey Super Fund A/C>	4,009,792	0.77
Mr Andrew Duncan Harrison + Mrs Katrina Ellen Harrison <Harrison Super Fund A/C>	3,575,772	0.68
Mr Nigel Robert Strong	3,496,043	0.67
Julsan Pty Ltd <Ponte Super Fund A/C>	3,244,815	0.62
Monteleone Melbourne Pty Ltd	2,863,184	0.55
Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	1,966,218	0.38
	161,003,598	**30.78**

Distribution schedules

A distribution of each class of equity security as at 6 August 2015:

Fully paid ordinary shares

Range			Holders	No. of Shares	%
1	-	1,000	498	246,783	0.05
1,001	-	5,000	2,168	6,824,630	1.30
5,001	-	10,000	1,921	15,472,287	2.96
10,001	-	100,000	4,637	156,096,047	29.84
100,001	-	Over	707	344,430,414	65.85
Total			**9,931**	**523,070,161**	**100.00**

Substantial shareholders

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

Fully paid ordinary shares

Substantial Shareholder	No. of Shares	%
Idinoc Pty Ltd	32,941,264	6.30

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 667 at $0.75 per share as at 6 August 2015):

Fully paid ordinary shares

	Holders	No. of Shares	%
Holdings less than a marketable parcel	1,635	2,642,681	0.51

Voting Rights

The voting rights attaching to ordinary shares are:

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

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

END OF REPORT