CAPITOLHEALTH LIMITED

ABN 84 117 391 812

2015 ANNUAL REPORT

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Directors

Mr Andrew Demetriou	–	Chairman & Non-Executive Director
Mr John Conidi	–	Managing & Executive Director
Mr Andrew Harrison	–	Non-Executive Director
Mr Dominik Kucera	–	Executive Director

Company Secretary

Mr Kim Hogg

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 Bird Cameron Partners
Level 21
55 Collins Street
Melbourne, Victoria, 3000

Solicitors (Corporate)

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

Share Registry

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Level 11
172 St Georges Terrace
Perth, Western Australia, 6000

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Stock Exchange

ASX Limited
Level 40, Central Park
152-158 St George's Terrace
Perth, Western Australia, 6000

ASX Code: CAJ

Dear Shareholder,

It's my pleasure to welcome you to the Managing's Director Report, providing commentary for FY2015 but also providing an insight for FY2016. Capitol continues to be a leader and innovator in the Diagnostic Imaging (DI) and this was clearly evident in FY2015; with our expansion into NSW and our collaboration with 3D Medical Ltd (3DM).

During the year Capitol achieved the following financial and investor milestones:

- Underlining Net Profit before Tax is up 60% (on FY2014), to $16.2 million (after adding back acquisition and related one off costs)
- Dividend declared is up 39% (FY2014), to 1.25 cents per share
- Number of shareholders is up 68% to more than 8,000 from this time last year
- Capitol included in the S&P/ASX 300 Index from September 2014

This time last year I wrote that we "are keen to expand our presence beyond Victoria", this was accomplished in December 2014, when we contracted to buy Southern Radiology Group, our first NSW acquisition. Soon after we announced the acquisition of Imaging @ Olympic Park (VIC) and quickly followed up with two further acquisitions in NSW: Eastern Radiology and Sydney Radiology. I am pleased to announce that we are in the final stages of acquiring another DI provider in NSW with revenues approaching $8 million and the acquisition multiple being less than 5x EBITDA.

It is clear that our intention has been to build a scalable and profitable DI network beyond Victoria underpinned by ensuring we provide the best possible patient outcome first time. Financial success can only be derived by ensuring that we consistently provide a quality service that puts patient outcomes first. By its very nature we are referral business, any diminution in quality of service obviously increases the risk of maintaining that referral and customer base. So we at Capitol are constantly seeking methods to improve the customer experience (customers include referring clinicians, patients and Capitol employees). We do this by investing in leading edge technology medical equipment, IT and communications systems, training and collaborating with industry leaders across many platforms.

Acquisitions & Strategy

During FY2015 the Company acquired four DI groups, with three based in Sydney, NSW. With those acquisitions we gained substantial benefits including vast clinic network, substantial MRI licenses, widely recognised brands, exceptional human capital across all facets of the business.

Over time the acquisitions will deliver immense benefits to Capitol, especially once the clinics are integrated and benefits of scale and expertise can be fully realized. Like any major expansion, integration and synergy extraction can be complex. Invariably the lack of uniformity in IT systems, clinical protocols and management systems can impact the short and medium term earnings efficiency of our business. At this stage of our network expansion cycle, gaining footprint that extracts value in the network are as impact as short term earnings. We are selective and discerning in our approach, paying what we believe the property is worth to us. This is evident in that we have purchased groups on multiples as high as 8x EBITDA to under 5x.

We have secured some of the best DI properties in Australia, exceptional locations, sub specialist clinically leading radiologists and a substantial MRI footprint in both NSW and Victoria. We will continue to acquire in NSW and organically grow these clinics and the clinics in Victoria. Our strategy is based on the premise of "personalization", for the first time made possible by IT, broadband, applications, data science and portable devices. The future will see the consulting radiologist come to you, best patient outcome first time because it's reported by the sub specialist first time. Distance is no longer a barrier, disparate IT systems is no longer an excuse.

Capitol is proud to be the first private radiology group to commit to implementing a Vendor Neutral Archive (VNA) over a vast network. As its name suggests the system is able to archive and distribute data in a standard format removing the need to change expensive picture archiving systems. Its real benefit is in its ability to distribute patient scans across the network on a rules basis, ensuring that the scan is diagnosed by the most appropriate specialist first time. A best of breed system that aligns with our overriding objective of ensuring the best possible patient outcome. That fosters loyalty, brand awareness and confidence across all customers ensuring a continual referral stream.

Successfully implementing our strategy is dependent on the continued support of our shareholders. In the last 12 months our register has grown by more than 68%. We successfully raised more than $57 million in FY2015 via a placement and share purchase plan (SPP). I do want to thank everyone that participated in the capital raisings and also for their understanding of the need to act swiftly especially when closing an unconditional transaction. Our success has been rewarded with our elevation into the S&P/ASX 300 as from September 2014.

Risks

In addition to the traditional risks often discussed in these forums, perhaps the greatest risk facing radiology and healthcare in general is a topic that isn't really discussed in the healthcare industry, it's more common in the finance sector and government. It has the ability to catch healthcare participants off guard and the potential of severely impacting healthcare service provision. That risk is cyber security – the risk of a non-friendly entity breaching our computer networks and accessing and distributing sensitive data. It's a borderless crime and has the potential of destroying a business and industry by eroding confidence and trust, clogging networks, preventing the capture, transmission and storage of data that is so critical to healthcare. It may not come as a surprise but the Government imposes standards relating to being an accredited DI provider, but those standards do not cover IT security or how data is stored.

To mitigate this risk, Capitol will be outsourcing our entire IT infrastructure, network and data storage to Telstra. Telstra has the most sophisticated cyber security systems and IT infrastructure in Australia. We are the custodians of sensitive information and as such obligated to ensure that we protect it. IT is the lifeblood to ensuring a productive workflow, managing requests, patient flow, data flow etc: being on the Telstra environment should mitigate the risk associated with downtime disruption.

For everyone's sake we hope the Government mandates the architecture surrounding healthcare data and forces, providers to data safely.

Dividend

Due to our strong underlying financial and operating performance, the Board of Directors has declared a fully franked Final Dividend of 0.65 cents (point six-five of one cent) per share. The uplift in Dividends reflects the Board's continued confidence in Capitol's financial strength and operating outlook.

Federal Government

Even though Medicare has existed for over 30 years and DI for one hundred years, for some reason the investment community always gets the jitters every May, which conveniently coincides with the Federal Budget. It's no secret that the Government has fiscal issues and always looking at curtailing spending or receiving a greater dividend (return) for its investment. But it's also no secret that every parliamentarian wants to be sitting on the right side of the Speaker in both Houses of Parliament.

Healthcare is one those topics that resonates in the community and any Government must consider the electorates sentiment and expectations when forming healthcare policy. It has nothing to do with being "correct" or "fair", it's about doing enough to either retain Government or form Government. Earlier this year we nearly saw the Prime Minister retreat because he failed to listen and grasp the electorate's sentiment towards what they want in a healthcare system. The fact is the Government needs to weigh up fiscal, political, medical and social issues when formulating a healthcare policy.

With that said, the Government is currently undertaking a Medicare review, its purpose is to review more than 5,500 services listed on the MBS Schedule, across all medical disciplines. The MBS Review Taskforce will consider how services can be aligned with contemporary clinical evidence and improve health outcomes for patients. We cannot determine the outcome of this review, but we can determine the quality of service our customers receive. Consequently we focus on those areas, constantly tweaking, enhancing and challenging the established the way we do things. As I said DI has been around for 100 years, it started with x-ray, today its encompasses ultrasound, CT, MRI, PET, not mention its encroaching on cardiology through cardiac imaging and colorectal surgery via virtual colonoscopy. Ten years ago interventional radiology formed a very small part in terms of services, today it's a very important element in diagnosis but also patient management, especially in improving the quality of life for people with chronic ailments. I'm sure in ten years from now technology will enable us to diagnose in ways which are not possible now. The MBS Review Taskforce's objectives align with ours: that is to improve outcomes for patients. I look forward to their recommendations and adapting our business to continually improve patient and customer outcomes and the prosperity of our shareholders.

The Board

The Board is constantly focused on determining the best strategy and governance and will continue to adapt to the changing needs of the Company. I would like to thank Steven Sewell for his contribution to the Company. He served as non-executive director for seven years and provided valuable public markets experience to the Board. I would like to welcome Andrew Demetriou to the Capitol Board – Andrew has taken on the role of Chairman and thus far has seamlessly and efficiently fulfilled his duties.

Outlook

As per the previous twelve months the DI sector will see further and more rapid disruption over the next year. For us it's exciting; we have a clearly defined plan to take advantage of the growth opportunities in front of us. Like driving a car the key is having one eye on the wheel and the other on the road. Better than industry organic growth only comes by having constant dialogue and engagement with your customers, navigating pot holes and speed traps is about awareness of the broader macro things that can be disruptive. We live and breathe DI, it is our bailiwick, we don't have competing interests, we have access to capital, we have a strategy and we have the team that has and will continue to deliver.

Thank you

Finally, I would like to take this opportunity to thank all our employees for their hard work and dedication, and also to our referrers and patients for their ongoing support and loyalty. I would also like to acknowledge and thank all of the Capitol shareholders for their commitment to the business over the past year. I look forward to providing you with further updates on our success in the new financial year.

John Conidi
Managing Director
Melbourne, Victoria
10 August 2015

The Directors present their report together with the financial report of Capitol Health Limited (the "Company") and its controlled entities (the "Group"), for the financial year ended 30 June 2015, 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 – Appointed 17 November 2014

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

As a result of being an appointee after the 2014 Annual General Meeting, Mr Demetriou will be seeking initial election by shareholders at the 2015 Annual General Meeting.

Mr John Conidi, BBus, CPA
Managing and Executive Director

Mr Conidi graduated in 1995 with a Bachelor of Business degree from Royal Melbourne Institute of Technology. He is a CPA and currently manages the Radiology Consolidated entity's operations. Mr Conidi has over 14 years of experience in developing, acquiring and managing businesses in the healthcare industry with a focus on diagnostic imaging. Mr Conidi's role in strategy, management and business development has driven the rapid expansion of the Group. Mr Conidi was a Non-Executive Director of Lithex Resources Limited, an ASX listed company, in 2013 (resigned Dec 2013) and is a Non-Executive Director of Oz Brewing Limited and Kibaran Resources Limited (both appointments in 2015).

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

Mr Harrison has significant experience in both senior management and board positions in publicly listed companies, including strategic and day-to-day management in addition to IPO activities. He was a Non-Executive Director of ASX listed companies Neptune Marine Services Limited until February 2006 and a Non-Executive & Executive Director of Draig Resources Limited until November 2012.

Mr Dominik Kucera, BBus (Acc), CPA
Executive Director and Chief Financial Officer

Mr Kucera has held senior finance roles in a number of private, joint venture and public companies, under Australian and Multi-National ownership, as both permanent employee and consultant in Primary, Secondary and Tertiary (service) industries for extensive periods of time. Mr Kucera has held ultimate responsibility in his various roles for the Finance, Human Resources, Marketing and IT functions for the companies or business units under his control.

Mr Kucera will be retiring by rotation and seeking re-election by shareholders at the 2015 Annual General Meeting.

Mr Steven Sewell
Non-Executive Director – Appointed 6 February 2008 – Resigned 31 October 2014

COMPANY SECRETARY

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

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

DIRECTORSHIPS IN OTHER LISTED ENTITIES

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

Director	Company	Period of directorship From	To
Mr 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
Mr A Harrison	Draig Resources Limited	2005	2012
Mr S Sewell	Federation Centres	2012	2015

DIRECTORS' MEETINGS

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

	Board		Nomination & Remuneration Committee		Audit & Risk Committee	
Director	Held	Attended	Held	Attended	Held	Attended
Mr A Demetriou	10	7	2	-	2	1
Mr J Conidi	10	10	2	2	n/a	n/a
Mr A Harrison	10	10	2	2	2	2
Mr D Kucera	10	10	n/a	n/a	n/a	n/a
Mr S Sewell	10	2	2	-	2	1

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 Demetriou (Chairman)
Mr A Demetriou	Mr A Harrison
Mr J Conidi	

PRINCIPAL ACTIVITIES

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

RESULTS

The Group made a net profit after tax for the financial year ended 30 June 2015 of $3,863,653 (2014: profit $7,232,870).

OPERATING AND FINANCIAL REVIEW

The results for the financial year ending 30 June 2015 incorporate the following key developments:

- No general changes to the level of Medicare rebates
- Clinic revenue, excluding acquisitions, increasing at a normalised rate ahead of the general growth in Medicare rebates paid
- Major acquisition activity accompanied with significant Equity raising and expansion of finance facilities

Operating review

The operating environment has not altered significantly year-on-year, the major variation from the prior reporting period has been the substantial acquisition program.

Major acquisitions and organic growth

There were three major acquisitions within the reporting period, Imaging@Olympic Park (Victoria), Southern Radiology (NSW) and Sydney Radiology (NSW). The acquisitions have been a mixture of business entity and business asset purchases. Associated one-off costs to complete the transactions were high and substantially impacted on the profit result as disclosed in this Report. As with any acquisitions of the scale of those made in 2015, there is a considerable tax impact due the treatment of expenses under current accounting standards (see below).

Impact of Federal Budget 2014/15

The Budget again contained no increases to the general value of the individual items in the Medicare Benefits Schedule (MBS) or any increases to the percentage of the MBS items rebated to bulk-billers. This maintained the additional pressure on other diagnostic imaging providers who have moved back to bulk-billing in order to compete with Capitol. The planned introduction of co-payments, as seen by some as having a detrimental impact on the DI industry as a whole, did not materialise.

Total Trading Environment

There was no apparent change to the pattern of previous yearly performance whereby revenues for Capitol increased at a rate in excess of the overall market, based on Medicare rebates paid over the course of the financial year. The Group has had an organic growth rate of 7.9% when normalized to exclude the impact of acquisitions compared to an increase in Australia-wide Medicare benefits of 6.6% in dollar terms.

MRI

The company installed a fleet of 6 unlicensed MRI units in Victoria within the reporting period to complement the existing nine licensed machines (two from acquisitions) within that state to provide complimentary imaging services for non-rebated items as awareness of the benefits of MRI becomes more widely distributed in our GP referrer base. The acquisitions in Sydney have added another five licensed MRI units.

Taxation

The major impact on the high acquisition costs as either non-deductible (majority) or partially deductible resulted in a disclosed taxation rate of 50.4% on Net Profit Before Tax. Allowing for and adding back the profit and taxation impact of these acquisition costs would result in a normalised tax rate of approx. 36.8%. There will be a minor tax benefit for the next 4+ years as the tax deductibility for those partially eligible items is realised.

Financial Review

Outlook

With no revision of the Schedule Fee in the MBS our competitors are still under considerably more financial pressure than Capitol. The Company anticipates another year of 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 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 no changes to MBS likely in the near-term and uncertainty in the sector about the Federal Budget measures it is expected that the disruption in this market sector will continue, providing Capitol with further expansion potential.

ENVIRONMENTAL REGULATION

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The consolidated net assets increased during the financial year ending 30 June 2015 by $55,218,894 (2014: $4,556,485) to $93,883,665 (2014: $38,182,985). The increase comprised the net profit after tax for the reporting period of $3,863,653 (2014: profit $7,232,870) plus or minus the net gain of dividends paid, reserve movements, capital raisings and associated costs of $55,218,894 (2014: expense $2,673,385).

There have been no significant changes in the state of affairs of the Company during the course of the financial year.

DIVIDENDS

Dividends paid during the financial year

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

	2015 $ per share	**2015 $**	**2014 $ per share**	**2014 $**
Final dividend for the preceding financial year	$0.0050	2,155,901	$0.0030	1,291,297
Interim dividend for the year ending 30 June	$0.0060	3,133,682	$0.0040	1,723,199
		5,289,583		**3,014,496**

All dividends paid were fully franked.

Dividend Reinvestment Plan ("DRP")

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

Dividend converted into ordinary shares under the DRP for the final dividend paid during 2015 was $221,901 for 337,156 shares at an issue price of $0.659 (2014: $136,669, 367,672 shares, $0.372).

Dividend converted into ordinary shares under the DRP for the interim dividend paid during 2015 was $294,089 for 287,761 shares at an issue price of $1.024 (2014: $208,240, 380,322 shares, $0.548).

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date the Company declared a final dividend for the financial year ending 30 June 2015 of $0.0065 per share (2014: $0.005), with a maximum dividend payable subject to elections under the Company's Dividend Reinvestment Plan of $3,396,692 (2014: $2,155,901).

Subsequent to balance date the Company acquired the corporate entity of Eastern Radiology Services Pty Ltd ACN 128 588 376 on 1 July 2015 for the purposes of extending the facility network of the Company in a key strategic geographical sub-area within the geographical segment (Note 33). Control of the corporate entity was obtained through the purchase of 100% of the issued share capital.

LIKELY DEVELOPMENTS

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

CORPORATE GOVERNANCE

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

DIRECTORS' INTERESTS

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

Director	Ordinary shares
Mr J Conidi	32,641,264
Mr A Harrison	3,508,772
Mr D Kucera	1,345,810

OPTIONS

Options granted to Directors and key management personnel

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

Unissued shares under option

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

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

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

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

Insurance Premiums

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

NON-AUDIT SERVICES

The Company's auditor, RSM Bird Cameron Partners, was appointed in 2009 and did not provide any non-audit services during the year (2014: Nil).

AUDITOR'S INDEPENDENCE DECLARATION

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

AUDITED REMUNERATION REPORT

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

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

KEY MANAGEMENT PERSONNEL

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

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

REMUNERATION COMMITTEE

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

PRINCIPLES OF REMUNERATION

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

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

Remuneration structure

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

Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2014 General Meeting, is not to exceed $250,000 per annum. Directors' fees cover all main board activities and membership of committees.

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

Executive remuneration

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

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

AUDITED REMUNERATION REPORT (cont'd)

PRINCIPLES OF REMUNERATION (cont'd)

Fixed compensation

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

Other benefits

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

Short-term incentives

Executive key management personnel received short-term incentives during the 2015 and 2014 reporting periods.

Long-term incentives

Long-term incentives ("LTI") may be provided to key management personnel via the Capitol Health Limited Incentive Option Scheme ("Scheme") (refer to Note 17 to the financial statements). The LTI are provided as options over ordinary shares of the Company to key management personnel based on their position within the Group. Vesting conditions may be imposed on any LTI grants if considered appropriate, in accordance with the Scheme's terms and conditions.

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

There were no options granted as compensation to key management personnel during the 2015 or 2014 reporting periods.

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

CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

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

	2015	2014	2013	2012
Net profit for the financial year	$3,863,653	$7,232,870	$3,627,361	$2,134,225
Dividends paid	$5,289,583	$3,014,496	$1,818,008	$709,695
Share price at beginning of the financial year	44.5 cents	23.5 cents	4.7 cents	4.1 cents
Share price at end of the financial year	76.5 cents	44.5 cents	23.5 cents	4.7 cents
Change in share price	32.0 cents	21.0 cents	18.8 cents	0.6 cents
Earnings per share (basic)	0.81 cents	1.68 cents	0.94 cents	0.67 cents

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

Performance related remuneration transactions for the executive directors during 2015 amounted to $150,000 (2014: $88,000).

EMPLOYMENT AGREEMENTS

The Group has not entered into employment agreements with any of its key executive management personnel. 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 OF KEY MANAGEMENT PERSONNEL

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

		Short-term			Post-employment	Long-term	Share-based payments			
		Salary & fees	STI cash bonus	Other benefits	Superannuation benefits	Long service leave	Options	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		$	$	$	$	$	$	$	%	%
Directors										
Non-executive										
Mr A Demetriou	2015	92,307	-	-	-	-	-	92,307	-	-
	2014	-	-	-	-	-	-	-	-	-
Mr A Harrison	2015	63,333	-	-	-	-	-	63,333	-	-
	2014	50,000	-	-	-	-	-	50,000	-	-
Mr S Sewell	2015	17,307	-	-	1,644	-	-	18,951	-	-
	2014	49,999	-	-	4,625	-	-	54,624	-	-
Executive										
Mr J Conidi	2015	470,644	87,500	-	20,000	55,458	-	633,602	13.8%	-
	2014	352,692	44,000	-	32,087	6,873	-	435,652	10.1%	-
Mr D Kucera	2015	267,300	62,500	19,527	26,856	18,740	-	394,923	15.8%	-
	2014	250,000	44,000	3,680	23,125	11,129	-	331,934	13.3%	-
Total, all key management personnel	**2015**	**910,891**	**150,000**	**19,527**	**48,500**	**74,198**	**-**	**1,203,116**	**12.5%**	**-**
	2014	**702,691**	**88,000**	**3,680**	**59,837**	**18,002**	**-**	**872,210**	**10.1%**	**-**

This is the end of the audited Remuneration Report.

Dated at Melbourne, Victoria this 10th day of August 2015.

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 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Miano

R B MIANO
Partner

Dated: 10 August 2015
Melbourne, Victoria

	Note	2015 $	2014 $
Continuing Operations			
Revenue	3	110,220,107	89,829,293
Other Income	4	1,003,565	504,896
Employee & Contractor benefits expense	6	(61,531,237)	(51,087,644)
Equipment-related expense		(6,683,978)	(6,652,675)
Occupancy expense		(7,783,882)	(6,317,430)
Consumables expense		(4,063,336)	(3,510,025)
Telecommunications expense		(1,652,021)	(1,469,642)
Management fees		(1,448,179)	(1,282,539)
Computer IT & support expense		(1,383,098)	(1,161,493)
Insurance expense		(703,285)	(587,382)
Impairment of assets		(15,037)	(7,744)
Borrowing costs		(1,544,525)	(820,797)
Acquisition costs		(7,947,562)	-
Depreciation & amortisation expense	13	(4,929,070)	(3,534,640)
Other expenses	5	(3,751,409)	(3,711,379)
Profit before income tax		**7,787,053**	**10,190,799**
Income tax expense	8	(3,923,400)	(2,957,929)
Profit for the financial year		**3,863,653**	**7,232,870**
Profit for the financial year attributable to owners of the parent		**3,863,653**	**7,232,870**
Earnings per share (cents)			
Total earnings for the financial year	26	0.81	1.68

There is no material difference between basic and diluted earnings per share

The consolidated statement of profit or loss is to be read in conjunction with the accompanying notes.

	Note	2015 $	2014 $
Profit for the financial year		**3,863,653**	**7,232,870**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Gain on available-for-sale financial assets - net of tax	20	644,041	-
Other comprehensive income for the financial year - net of tax		**644,041**	**-**
Total comprehensive income for the financial year		**4,507,694**	**7,232,870**
Total comprehensive income for the financial year attributable to owners of the parent		**4,507,694**	**7,232,870**

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 2015

	Note	2015 $	2014 $
CURRENT ASSETS			
Cash and cash equivalents	9	36,708,753	9,119,541
Trade and other receivables	10	4,954,586	2,264,082
Other financial assets	11	732,951	136,103
Other assets	12	1,030,082	612,624
Total Current Assets		**43,426,372**	**12,132,350**
NON-CURRENT ASSETS			
Other financial assets	11, 20	2,454,268	276,833
Property, plant & equipment	13	37,404,967	17,578,663
Intangible assets	14	105,032,115	30,223,473
Deferred tax assets	8	3,206,968	1,956,831
Total Non-Current Assets		**148,098,318**	**50,035,800**
TOTAL ASSETS		**191,524,690**	**62,168,150**
CURRENT LIABILITIES			
Loans and borrowings	18	1,762,326	3,094,899
Trade and other payables	15	10,677,889	4,399,863
Employee benefits	16	7,665,770	4,927,326
Income tax liability		1,876,280	1,002,952
Total Current Liabilities		**21,982,265**	**13,425,040**
NON-CURRENT LIABILITIES			
Loans and borrowings	18	73,279,949	8,399,027
Employee benefits	16	995,701	941,584
Deferred tax liabilities	8	1,383,110	737,728
Total Non-Current Liabilities		**75,658,760**	**10,078,339**
TOTAL LIABILITIES		**97,641,025**	**23,503,379**
NET ASSETS		**93,883,665**	**38,664,771**
EQUITY			
Issued capital	19	87,542,633	31,541,850
Reserves	20	644,041	-
Retained earnings	22	5,696,991	7,122,921
Equity attributable to owners of the parent		**93,883,665**	**38,664,771**
TOTAL EQUITY		**93,883,665**	**38,664,771**

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

	Note	2015 $	2014 $
Cash flows (used in)/provided by operating activities			
Cash receipts in the course of operations		108,617,132	90,404,130
Cash payments in the course of operations		(88,747,691)	(75,065,953)
Interest received		581,206	137,726
Interest paid		(1,544,525)	(820,797)
Net income tax paid		(3,299,136)	(2,541,562)
Net cash provided by operating activities	31	**15,606,986**	**12,113,544**
Cash flows (used in)/provided by investing activities			
Payments for non-current assets		(6,983,515)	(3,074,751)
Payment for other financial asset		(1,257,377)	(276,833)
Payment of financial asset held to maturity	11	(595,000)	-
Redemption of financial asset held to maturity		-	350,272
Payments for business acquisitions	14(iv)	(85,980,594)	-
Net cash used in investing activities		**(94,816,486)**	**(3,001,312)**
Cash flows (used in)/provided by financing activities			
Proceeds from the issue of share capital	19	57,483,502	-
Payment of share issue costs	19	(2,131,391)	(4,178)
Payment of dividend	21	(4,773,593)	(2,669,587)
Payment for leasing arrangements		(4,422,634)	(2,445,536)
Proceeds from secured loans from external entities		68,642,828	-
Repayment of secured loans to external entities	18	(8,000,000)	(1,000,000)
Net cash provided by/(used in) financing activities		**106,798,712**	**(6,119,301)**
Net increase in cash and cash equivalents		**27,589,212**	**2,992,931**
Cash and cash equivalents at 1 July		9,119,541	6,126,610
Cash and cash equivalents at financial year end	9	**36,708,753**	**9,119,541**

All amounts disclosed in the 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.

	Note	Issued Capital $	Reserves $	Retained Earnings $	Total Equity $
Prior Comparative Period					
Balance as at 30 June 2013	19, 22	**31,200,739**	**-**	**2,904,547**	**34,105,286**
Profit for the financial year	22	-	-	7,232,870	**7,232,870**
Total comprehensive income		**-**	**-**	**7,232,870**	**7,232,870**
Transactions with equity holders in their capacity as equity holders					
Shares issued through DRP	19, 21	344,909	-	(344,909)	**-**
Share issue costs (net of GST)	19	(3,798)	-	-	**(3,798)**
Dividends paid	21, 22	-	-	(2,669,587)	**(2,669,587)**
Total transactions with equity holders		**341,111**	**-**	**(3,014,496)**	**(2,673,385)**
Balance as at 30 June 2014	19, 22	**31,541,850**	**-**	**7,122,921**	**38,664,771**
Balance as at 1 July 2014	19, 22	**31,541,850**	**-**	**7,122,921**	**38,664,771**
Profit for the financial year	22	-	-	3,863,653	**3,863,653**
Other comprehensive income		-	644,041	-	**644,041**
Total comprehensive income		**-**	**644,041**	**3,863,653**	**4,507,694**
Transactions with equity holders in their capacity as equity holders					
Shares issued externally	19	57,483,502	-	-	**57,483,502**
Shares issued through DRP	19, 21	515,990	-	(515,990)	**-**
Share issue costs (net of GST)	19	(1,998,709)	-	-	**(1,998,709)**
Dividends paid	21, 22	-	-	(4,773,593)	**(4,773,593)**
Total transactions with equity holders		**56,000,783**	**-**	**(5,289,583)**	**50,711,200**
Balance as at 30 June 2015	19, 22	**87,542,633**	**644,041**	**5,696,991**	**93,883,665**

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 2015 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 10 August 2015.

(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 period during which the change occurred.

The functional and presentation currency of the Company and the Group is the Australian Dollar.

(iii) 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 2014, and determined that there was no material impact on the Group's financial statements in the current reporting year.

Reclassifications

Certain items in the statement of profit or loss for the financial year ending 30 June 2014 have been reclassified without any impact on comprehensive income, to be consistent with the presentation of results in the current financial year.

(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 14. 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 relating to plant and equipment as an asset

The Group recognises plant and equipment as 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 current financial year the Group has recognised $190,612 (2014: $222,548) of costs of employee benefits and other related costs arising directly from the expansion of the current fixed network of management and digital imaging systems and related infrastructure of the new operational sites and head office.

(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.

(i) Basis of consolidation (cont'd)

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, financial assets held to maturity, trade and other receivables, loans and borrowings, and trade and other payables.

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

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.

(iii) Financial instruments (cont'd)

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 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 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

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.

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

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

(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(ix) 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 (other than those at FVTPL) 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.

In addition, 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.

(viii) Impairment (cont'd)

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 measured at amortised cost, if 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 revaluation reserve; impairment losses are not reversed through profit or loss.

Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest 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 provisions that are expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long term benefits provisions that are not expected to be 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 using market yields at the reporting date to estimate the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Regardless of the expected timing of settlement, provisions made in respect of employee benefits are classified as a current liability unless there is 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 where the employee has a present entitlement to the benefit. Provisions for conditional long service are classified as non-current liability.

(ix) Employee Benefits (cont'd)

Share-based payments

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

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

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

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

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

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

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

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

(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.

(xi) Income tax (cont'd)

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 with the amount of GST included.

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

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

Commitments are disclosed at their nominal value inclusive of GST.

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

Non-current assets held for sale

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

(xiii) Non-current assets held for sale and discontinued operations (cont'd)

Discontinued operations

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

(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 period.

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

(xvi) New accounting standards and interpretations applicable to the Company in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

The following are applicable for annual reporting periods commencing on or after the indicated date but are not considered to materially impact on the Group;

Applicable after 1 July 2015
AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

Applicable after 1 January 2016
Amendments to Australian Accounting Standards
AASB 2014-3 *Accounting for Acquisitions of Interests in Joint Operations*
AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation*
AASB 2014-9 *Equity Method in Separate Financial Statements*
AASB 2014-10 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
AASB 2015-1 *Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
AASB 2015-2 *Disclosure Initiative: Amendments to AASB 101*
AASB 2015-5 *Investment Entities: Applying the Consolidation Exception*

Applicable after 1 January 2017
AASB 15 *Revenue from Contracts with Customers*
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

Applicable after 1 January 2018
AASB 9 *Financial Instruments*
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

2. FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk
- interest rate risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included in Note 23.

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

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

(i) Financial risk management objectives

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

2. FINANCIAL RISK MANAGEMENT (cont'd)

(ii) Credit risk

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

The Group 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.

All of the AFS are in the form of investments in equity securities and therefore they have no exposure to credit risk.

(iii) Liquidity risk

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

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

(iv) 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.

The Group has assessed the risk of foreign currency risk as insignificant.

a. Interest rate risk

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

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

b. Other equity price risk

Exposure to other price risk arises due to the inherent risk of the possibility of unfavourable movements in the market value of the investments held at fair value.

The Group is exposed to equity price risk through its investments in listed shares.

The Group's objective in managing equity market risk is to minimise negative impacts on investment value due to the volatility of the stock market.

2. FINANCIAL RISK MANAGEMENT (cont'd)

c. Capital management

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

The Board 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 had loans and borrowings of $67,142,828 at 30 June 2015 (2014: $6,500,000).

Since February 2015 the Group's strategy has been to maintain a Fixed Charge Cover Ratio greater than or equal to 2.0 times and a Net leverage Ratio less than or equal to 2.5 times. This has arisen as the Group is now subject to externally imposed capital covenant requirements.

	2015 $	2014 $
3. REVENUE		
Services rendered	**110,220,107**	**89,829,293**
4. OTHER INCOME		
Interest income	581,206	137,726
Miscellaneous income	422,359	367,170
	1,003,565	**504,896**
5. OTHER EXPENSES		
Corporate and administrative expenses	**3,751,410**	**3,711,379**
6. EMPLOYEE BENEFITS EXPENSE		
Wages, salaries and self-employed contractors expenses	50,870,838	42,794,259
Other associated personnel expenses	2,790,320	2,255,169
Defined contribution superannuation expenses	3,271,597	2,693,500
Increase in liability for annual and long service leave	4,425,535	3,244,717
Non-executive Directors fees	172,947	99,999
	61,531,237	**51,087,644**

7. AUDITORS REMUNERATION

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

Audit Services:

	2015	2014
Auditors of the company		
RSM Bird Cameron Partners		
- audit and review of financial reports	**150,000**	**135,000**

	2015 $	2014 $

8. INCOME TAX

(a) Income tax expense

The major components of income tax expense are:

	2015 $	2014 $
Current income tax		
Current income tax charge	4,172,464	2,733,347
Deferred income tax - Adjustments relating to;		
Origination and reversal of timing differences	(249,064)	(205,209)
Utilisation of carried forward tax losses	-	429,791
Income tax expense reported in the statement of profit or loss	**3,923,400**	**2,957,929**

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

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

	2015 $	2014 $
Total accounting profit before income tax	**7,787,053**	**10,190,799**
At the Group's statutory income tax rate of 30% (2014: 30%)	2,336,117	3,057,240
Tax effect on amounts which are not tax deductible:		
- Capital acquisition costs not deductible	1,707,083	-
- Overstatement of opening balance of deferred tax liability	-	(106,209)
- Sundry amounts	(119,800)	6,898
Aggregate income tax expense	**3,923,400**	**2,957,929**
Aggregate income tax expense is attributable to:		
Continuing operations	**3,923,400**	**2,957,929**

(c) Deferred tax assets and liabilities

	2015 $	2014 $
Deferred tax assets recognised in profit or loss		
- Employee benefits provision	6,555,778	5,868,910
- Accrued expenses	681,633	578,548
- Business acquisition and other costs	1,346,789	75,314
	8,584,200	**6,522,772**
Deferred tax asset at 30%	**2,575,260**	**1,956,831**
Deferred tax assets recognised in equity		
- Employee entitlements on business acquisition	**2,105,693**	**-**
Deferred tax asset at 30%	**631,708**	**-**
Recognised deferred tax assets		
Temporary differences	**3,206,968**	**1,956,831**

8. INCOME TAX (cont'd)

(c) Deferred tax assets and liabilities (cont'd)

	2015 $	2014 $
Deferred tax liability recognised in profit or loss		
- Prepayments	65,175	106,998
- Finance Leases	3,625,131	2,352,093
	3,690,306	**2,459,091**
Deferred tax liability at 30%	**1,107,092**	**737,728**
Deferred tax liability recognised in equity		
- Asset revaluation	**920,059**	**-**
Deferred tax liability at 30%	**276,018**	**-**
Recognised deferred tax liabilities		
Temporary differences	**1,383,110**	**737,728**

(d) Unrecognised temporary differences

The Group has no unrecognised temporary differences at 30 June 2015 (2014: Nil).

(e) Tax losses

The Group has no carried forward operating losses at 30 June 2015 (2014: Nil).

The Group had carried forward capital losses of $76,566 (2014: $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 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.

9. CASH AND CASH EQUIVALENTS

	2015 $	2014 $
Cash on hand	17,850	14,350
Cash at bank	36,690,903	9,105,191
	36,708,753	**9,119,541**

10. TRADE AND OTHER RECEIVABLES

	2015 $	2014 $
Trade receivables	3,862,247	1,794,677
Other receivables	1,092,339	469,405
	4,954,586	**2,264,082**

	2015 $	2014 $
11. OTHER FINANCIAL ASSETS		
Current		
Rental bonds - held to maturity	137,951	136,103
Term deposit - held to maturity	595,000	-
	732,951	**136,103**
Non-Current		
Available-for-sale financial assets		
Investment in un-listed entity - at cost	-	276,833
Investment in listed entity - at market value at end of financial year	2,454,268	-
	2,454,268	**276,833**

As at 30 June 2015 the company held 21,341,462 issued shares in ASX listed 3D Medical Limited (ASX: 3DM) and possesses options on a further 14,198,958 shares.

12. OTHER ASSETS

Prepayments	**1,030,082**	**612,624**

13. PROPERTY, PLANT & EQUIPMENT

In this Note;

Other operating assets

Other operating assets represent the consolidation of the categories of Office furniture & equipment, Motor vehicles and Low value pool assets.

Sale of assets

The net proceeds of any sale of assets after allowing for income received are reported in Note 4 if the transaction produces a positive result, otherwise recovery amounts are offset against the written down value of the asset as a net expense.

Transfers between categories

Transfers between categories represent those assets eligible to be consolidated as “Low Value Pool” assets under applicable guidelines issued by the Australian Taxation Office.

13. PROPERTY, PLANT & EQUIPMENT (cont'd)

	Land & buildings	Plant & equipment	Leasehold improve-ments	Other operating assets	Assets under construction	Total
	$	$	$	$	$	$
At 1 July 2013	**590,028**	**10,473,801**	**3,651,492**	**397,370**	**147,185**	**15,259,876**
Additions;						
purchases	-	-	-	-	5,861,171	5,861,171
transfers AUC	58,133	3,144,967	486,943	45,870	(3,735,913)	-
Impaired assets & disposals;						
cost	-	(9,828)	-	(2,406)	-	(12,234)
depreciation	-	4,077	-	413	-	4,490
Transfers between categories;						
cost	-	(216,569)	(26,980)	61,292	-	(182,257)
depreciation	-	160,835	14,200	7,222	-	182,257
Depreciation & Amortisation;						
charge for the year	-	(3,015,589)	(416,021)	(103,030)	-	(3,534,640)
At 30 June 2014	**648,161**	**10,541,694**	**3,709,634**	**406,731**	**2,272,443**	**17,578,663**
At 30 June 2014						
Cost	648,161	20,490,606	5,141,114	680,601	2,272,443	29,232,925
Accumulated dep'n	-	(9,948,912)	(1,431,480)	(273,870)	-	(11,654,262)
Net carrying amount	**648,161**	**10,541,694**	**3,709,634**	**406,731**	**2,272,443**	**17,578,663**
At 1 July 2014	**648,161**	**10,541,694**	**3,709,634**	**406,731**	**2,272,443**	**17,578,663**
Additions;						
purchases	-	8,370,825	4,135,000	-	12,323,678	24,829,503
transfers AUC	2,106,352	8,255,559	1,996,898	87,486	(12,446,295)	-
Impaired assets & disposals;						
cost	-	(97,235)	(9,818)	(2,077)	-	(109,130)
depreciation	-	31,634	2,596	771	-	35,001
Transfers between categories;						
cost	-	(200,462)	(27,072)	64,412	-	(163,122)
depreciation	-	147,854	14,047	1,221	-	163,122
Depreciation & Amortisation;						
charge for the year	-	(3,920,544)	(889,145)	(119,381)	-	(4,929,070)
At 30 June 2014	**2,754,513**	**23,129,325**	**8,932,140**	**439,163**	**2,149,826**	**37,404,967**
At 30 June 2015						
Cost	2,754,513	36,819,293	11,236,122	830,422	2,149,826	53,790,176
Accumulated dep'n	-	(13,689,968)	(2,303,982)	(391,259)	-	(16,385,209)
Net carrying amount	**2,754,513**	**23,129,325**	**8,932,140**	**439,163**	**2,149,826**	**37,404,967**

14. INTANGIBLES

	2015 $	2014 $
Goodwill		
Gross Balance at the beginning of the financial year	32,118,105	32,118,105
Additions (refer to Note 14(iv))	74,808,642	-
	106,926,747	**32,118,105**
Impairment		
Balance at the beginning and end of the financial year	1,894,632	1,894,632
Net Goodwill at the end of the financial year	**105,032,115**	**30,223,473**

Business combinations

(i) Acquisition of corporate entities

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

An acquisition to extend the facility network of the Company in a key strategic geographical sub-area within the geographical segment (Note 30).

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

(ii) Acquisition of business assets

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

Acquisitions to create a facility network for the Company in a key strategic geographical sub-area within the geographical segment (Note 30).

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

(iii) Revenue and profit from business acquired

The acquired businesses contributed revenues and net profit as follows:

- Imaging @ Olympic Park Pty Ltd, revenues of $4,017,663 and net profit of $820,861 to the Group for the period from 6 February 2015 to 30 June 2015 at a notional company tax rate of 30%,
- Southern Radiology, revenues of $9,684,212 and net profit of $696,611 to the Group for the period from 1 April 2015 to 30 June 2015 at a notional company tax rate of 30%; and
- Sydney Radiology, revenues of $73,954 and net loss of $(6,097) to the Group for the period from 11 June 2015 to 30 June 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 2015 as if the acquisitions had occurred on 1 July 2014. However management has determined that this 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.

14. INTANGIBLES (cont'd)

(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;

	Imaging @ Olympic Park $	Southern Radiology $	Sydney Radiology $	Total $
Payment for 100% of the issued shares in the entity	24,642,828	-	-	24,642,828
Payment for the business assets	-	59,737,766	1,600,000	61,337,766
Payment of net completion balance sheet items	937,618	-	-	937,618
Recognition of net balance sheet items on take-on	(937,618)	-	-	(937,618)
Recognition of employee entitlements	357,172	1,737,468	40,757	2,135,397
Recognition of financial liabilities	(227)	(169,589)	-	(169,816)
Adjustment for Fixed Assets	(2,342,975)	(10,162,850)	-	(12,505,825)
Adjustment for Deferred Tax Asset	-	(631,708)	-	(631,708)
	22,656,798	**50,511,087**	**1,640,757**	**74,808,642**

The company is actively assessing whether any of the value disclosed as Goodwill for the above acquisitions in the consolidated statement of financial position should be allocated to intangible assets, in line with the appropriate accounting standards and within the period allowed to finalise acquisition accounting entries. As at the date of this report this assessment is not complete.

There were no acquisitions during the financial year ended 30 June 2014.

(iv) Impairment testing for cash-generating units (CGU) containing goodwill

The Directors considered that for accounting purposes under AASB 136 *Impairment of Assets,* the Group's operations in Victoria and NSW have individually identifiable cash inflows representing two CGU's 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) to determine recoverable amount as at 30 June 2015 for each CGU is 12.6% (2014: 14.5%) for Victoria and 14.1% for New South Wales (2014: not applicable). Discounted cash flows for the total operating entity has been estimated, based on past performance and increased by 5% expected growth in revenue and expenditure rates for a period of 5 years. A terminal value has been calculated based on no growth and included in the recoverable amount as management believe that the imaging diagnostic services will still be delivered well beyond 5 years. Head office and parent entity administration costs have been included at estimated cost growth less efficiency gains for the period. If any of the assumptions above were to significantly alter in a negative manner then this may result in an impairment loss in the reported amount of goodwill for the Group.

	2015 $	2014 $
15. TRADE AND OTHER PAYABLES		
Trade creditors	3,328,656	2,016,002
Other creditors and accruals	7,349,233	2,383,861
	10,677,889	**4,399,863**

	2015 $	2014 $

16. EMPLOYEE BENEFITS

	2015 $	2014 $
Current		
Annual Leave	4,229,196	3,034,260
Long Service Leave	3,436,574	1,893,066
	7,665,770	**4,927,326**
Non-Current		
Long Service Leave	**995,701**	**941,584**

17. SHARE BASED PAYMENTS

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

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

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

All options expire on the earlier of their expiry date or 30 days after the termination of the individual's employment.

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

There are presently no options issued under the Scheme (2014: Nil) and no options were issued, exercised or expired under the Scheme during the year ended 30 June 2015 (2014: Nil).

18. LOANS AND BORROWINGS

This note provides information about the Company's and the Group's interest-bearing loans and borrowings. For more information about the Company's and the Group's exposure to interest rate and liquidity risk, see Note 23.

	2015 $	2014 $
Current		
Secured bank loan	-	1,000,000
Secured equipment finance facilities	1,762,326	2,094,899
	1,762,326	**3,094,899**
Non-Current		
Secured bank loan	67,142,828	5,500,000
Secured equipment finance facilities	6,137,121	2,899,027
	73,279,949	**8,399,027**

Terms of loans and borrowings

Secured bank loan and associated facilities

In February 2015 all existing loan and other facilities were consolidated into one single facility with no contracted loan repayments over a maximum term of 5 years, interest only, with selective redraw facility. The current facility is based on a 5 year term and will be reviewed in February 2020.

The facility is with the National Australia Bank and is secured by:

1. A first registered company charge by Capital Radiology Pty Ltd over the whole of its assets and undertakings; and
2. A guarantee unlimited as to the amount by Capitol Health Limited supported by a first registered company charge by Capitol Health Limited over the whole of its assets and undertakings.

Loan facilities bear interest at a variable Resultant Rate which at 30 June 2015 was 3.55% (30 June 2014: 3.55%).

Loan facilities are subject to meeting certain financial ratio covenants which the Group has complied with (refer to Note 2 (iv) c).

18. LOANS AND BORROWINGS (CONT'D)

Terms of loans and borrowings (cont'd)

Utilisation of secured facilities

	Facility $	Utilised $	Available $
At 30 June 2015			
Secured bank loan	108,100,000	67,142,828	40,957,172
Secured equipment finance	6,500,000	-	6,500,000
Rental guarantee	2,000,000	757,797	1,242,203
Credit card	205,000	66,727	138,273
	116,805,000	**67,967,352**	**48,837,648**
At 30 June 2014			
Secured bank loan	11,000,000	6,500,000	4,500,000
Secured equipment finance	5,000,000	1,367,617	3,632,383
Rental guarantee	1,500,000	594,038	905,962
Credit card	150,000	38,979	111,021
	17,650,000	**8,500,634**	**9,149,366**

Secured equipment finance facilities

Capital Radiology Pty Ltd entered into agreements for the purchase of assets during the financial year. These facilities bear interest at between 3.88% and 9.43% per annum.

Finance lease liabilities

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

	2015 $	2014 $
19. ISSUED CAPITAL		
Issued capital		
522,526,973 (2014: 431,180,115) fully paid ordinary shares	**87,542,633**	**31,200,739**

The following movements in issued capital occurred during the year:

	2015 Number of Shares	2015 $	2014 Number of Shares	2014 $
Balance at the beginning of the year	431,180,115	31,541,850	430,432,121	31,200,739
Issue of shares for acquisitions	64,727,590	37,542,002	-	-
Share purchase plan	26,035,351	19,941,500	-	-
Dividend reinvestment plan	624,917	515,990	747,994	344,909
Share issue costs (Net of GST)	-	(1,998,709)	-	(3,798)
Balance at the end of the year	**522,567,973**	**87,542,633**	**431,180,115**	**31,541,850**

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.

19. ISSUED CAPITAL (cont'd)

Options

Options granted during the year

No options were granted during 2015.

Unissued shares under option

At balance date, there were no unissued ordinary shares of the Company under option.

	2015 $	2014 $
20. RESERVES		
Reserve : Available-for-sale asset		
Shares in listed entity at market value at end of financial year	2,454,268	-
Cost base from prior un-listed entity (Note 11)	(276,833)	-
Costs attributed to shares in listed entity	(1,257,376)	-
Gross gain	**920,059**	**-**
Tax attributable to gross gain	(276,018)	-
Gain on available-for-sale asset net of tax	**644,041**	**-**
Balance at the end of the financial year	**644,041**	**-**

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

In addition to the dividends recorded in the Directors report, since the end of the year the Directors have declared a final dividend of $0.0065 per share (2014: $0.005) 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;

	2015 $	2014 $
Final dividend	**3,396,692**	**2,155,901**

22. RETAINED EARNINGS

	2015 $	2014 $
Retained earnings at the beginning of the year	7,122,921	2,904,547
Profit for the year	3,863,653	7,232,870
Dividends issued during the year	(5,289,583)	(3,014,496)
Retained earnings at the end of the year	**5,696,991**	**7,122,921**

	2015 $	2014 $

23. FINANCIAL INSTRUMENTS DISCLOSURE

The Group's financial instruments consist mainly of deposits with banks, other financial assets, accounts receivable, accounts payable, bank loans and finance leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies of these financial statements, are as follows;

Financial assets

	2015 $	2014 $
Cash and cash equivalents	36,708,753	9,119,541
Trade and other receivables	4,954,586	2,264,082
Financial assets held to maturity	732,951	136,103
Investment in un-listed entity	-	276,833
Investment in listed entity	2,454,268	-
	44,850,558	**11,796,559**

Financial liabilities

	2015 $	2014 $
Trade and other payables at amortised cost	10,677,889	4,399,863
Bank loans at amortised cost	67,142,828	6,500,000
Finance facilities at amortised cost	7,899,447	4,993,926
	85,720,164	**15,893,789**

Credit risk

Exposure to credit risk

The above carrying amount of the Group's financial assets represents the maximum credit exposure.

Impairment losses

The ageing of the Group's financial assets at reporting date was;

	Gross 2015 $	Impairment 2015 $	Gross 2014 $	Impairment 2014 $
Due 0-30 days	40,570,555	-	11,129,435	-
Due 31-120 days	1,057,153	-	254,188	-
Due 121 days to one year	768,582	-	-	-
More than one year	2,454,268	-	412,936	-
	44,850,558	**-**	**11,796,559**	**-**

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible – at that point the amount is considered irrecoverable and is written off against the financial asset directly.

There was a net write-back for impairment in respect of trade receivables during the year of Nil (2014: $57,812).

At 30 June 2015 the Group has no collective impairment allowance on its trade receivables (2014: Nil).

23. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Liquidity risk

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

	Carrying amount $	Contractual cash flows $	Less than 1 year $	1- 5 years $	More than 5 years $
30 June 2015					
Trade and other payables	10,677,889	(10,677,889)	(10,677,889)	-	-
Secured bank loans	67,142,828	(67,142,828)	-	(67,142,828)	-
Secured equipment finance	7,899,447	(9,141,792)	(2,214,267)	(5,590,941)	(1,336,584)
	85,720,164	**(86,962,509)**	**(12,892,156)**	**(72,733,769)**	**(1,336,584)**
30 June 2014					
Trade and other payables	4,399,863	(4,399,863)	(4,399,863)	-	-
Secured bank loans	6,500,000	(6,500,000)	(1,000,000)	(5,500,000)	-
Secured equipment finance	4,993,926	(5,594,822)	(2,541,413)	(3,053,409)	-
	15,893,789	**(16,494,685)**	**(7,941,276)**	**(8,553,409)**	**-**

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest bearing financial instruments was;

	2015 $	2014 $
Carrying Amount;		
Fixed rate instruments		
Financial assets	732,951	136,103
Financial liabilities	(7,899,447)	(4,993,926)
	(7,166,496)	**(4,857,823)**
Variable rate instruments		
Financial assets	36,708,753	9,119,541
Financial liabilities	(67,142,828)	(6,500,000)
	(30,434,075)	**2,619,541**

23. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Variable rate instruments

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The reasonable change has been calculated on the basis of historical changes in interest rates. This analysis assumes that all other variables remain constant. The analysis 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	100 bp decrease	100 bp increase	100 bp decrease
Cash flow sensitivity - variable rate instruments				
As at 30 June 2015	**(304,341)**	**304,341**	**(304,341)**	**304,341**
As at 30 June 2014	**26,195**	**(26,195)**	**26,195**	**(26,195)**

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

Fair value of financial instruments

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows, expect for the fair value of the AFS which has been determined with reference to the Australian Stock Exchange (ASX) quoted price as at 30 June 2015. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

Other price risk

As at 30 June 2015 the Group holds some Available-for-sale shares in a company listed on the ASX (refer to Note 11).

As a result, such investment is exposed to changes in fair value risk. However as the Available-for-sale financial assets are denominated in Australian dollars, there is not exposure to movement in exchange currency movements.

(i) Sensitivity analysis

The fair value of the Available-for-sale financial assets as at 30 June 2015 amounted to $2,454,268 (2014: Nil). A 10% decrease / increase in the fair value of those assets – being the change reasonably possible in the year ending 30 June 2016 as estimated by Management - would result in a loss/gain of $245,427 (2014: Nil), which loss / gain would be recognised in Other comprehensive income.

(ii) Fair value hierarchy

Available-for-sale financial assets as at 30 June 2015 which are categorised as Level 1 fair value measurement hierarchy (refer to Note 1 (b) (ii)) is as a result of and derived from a quoted price (unadjusted) in the ASX.

None of the Available-for-sale financial assets are either past due or impaired.

24. COMMITMENTS

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

Property and facility operating lease commitments

	2015 $	2014 $
Future operating lease rentals not provided for in the financial statements and payable:		
Within one year	8,342,665	5,331,675
One year or later and no later than five years	6,997,786	9,812,759
More than five years	31,427	241,846
	15,371,878	**15,386,280**

The Group leases properties and facilities under operating leases. The leases typically run for a period of 3 to 10 years with an option to renew after that date.

Plant and equipment operating lease commitments

	2015 $	2014 $
Within one year	2,312,371	2,432,707
One year or later and no later than five years	3,569,798	4,908,067
	5,882,169	**7,340,774**

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

During the year ended 30 June 2015 $8,149,538 was recognised as an expense in the statement of profit or loss in respect of operating Property, plant and equipment leases (2014: $7,672,642).

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 2015 rental guarantees not supported by a dedicated deposit totalled $757,797 (2014: $594,038).

(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.

	2015 $	2014 $

26. EARNINGS PER SHARE

Profit / (loss) attributable to ordinary shareholders

	2015	2014
Net profit for the year	**3,863,653**	**7,232,870**
	Cents	**Cents**
	0.81	**1.68**

Earnings per share

As there is no effect of share options as there are none on issue (2014: Nil), there is no variation between basic and diluted earnings per share.

The calculation of earnings per share at 30 June 2015 was based on the profit attributable to ordinary shareholders of $3,863,653 (2014: $7,232,870) and a weighted number of ordinary share outstanding during the financial year ended 30 June 2015 of 475,601,619 (2014: 430,752,757) calculated in the table below:

Basic earnings per share	**2015 Number**	**2014 Number**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	431,180,115	430,432,121
Shares issued for acquisition	34,580,493	-
Shares issued for purchase plan	9,558,184	-
Shares issued under Dividend Reinvestment Plan	282,827	320,636
	475,601,619	**430,752,757**

27. CONTROLLED ENTITIES

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

Controlled entity	**Country of Incorporation**	**2015 Entity interest**	**2014 Entity interest**
Capital Radiology Pty Ltd	Australia	100%	100%
Capital Radiology (NSW) Pty Ltd	Australia	100%	-
CHL Operations Pty Ltd	Australia	100%	100%
Diagnostic MRI Services Pty Ltd	Australia	100%	-
Imaging @ Olympic Park Pty Ltd	Australia	100%	-
Imaging @ Olympic Park Unit Trust	Australia	100%	-
MDI Group Pty Ltd	Australia	100%	100%
MDI Malvern Pty Ltd	Australia	De-registered	100%
MDI Manningham Pty Ltd	Australia	100%	100%
MDI Monash Pty Ltd	Australia	De-registered	100%
MDI Operations Pty Ltd	Australia	De-registered	100%
MDI Radiology Pty Ltd	Australia	100%	100%
Melbourne Diagnostic Imaging Pty Ltd	Australia	De-registered	100%
Molecular Diagnostic Imaging Pty Ltd	Australia	De-registered	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. DISCONTINUED OPERATIONS

There were no discontinued operations during the current or prior financial year.

	2015 $	2014 $
29. RELATED PARTIES		
Key management personnel remuneration		
Short-term employee benefits	1,080,418	794,371
Post-employment benefits	48,500	59,837
Long-term employee benefits	74,198	18,002
Share-based payments	-	-
	1,203,116	**872,210**

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 9 to 11.

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

A number of key management persons, or their related parties, 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.

The Boards preference is not to enter into any such transactions where a viable non-related alternative exists.

The following is a recorded transaction of this type in 2015 (2014: Nil).

Directors	**Transaction**	**Transaction value year ended 30 June**		**Balance outstanding as at 30 June**	
		2015	**2014**	**2015**	**2014**
Mr J Conidi	Note (i) - Rent expenses	163,200	80,000	-	-
Mr A Demetriou	Note (ii) - Consulting expenses	10,000	-	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) As a result of an unrelated third party transaction and through a pre-existing contract, Capitol Health has subsequently 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 period there were no options over ordinary shares in Capitol Health Limited granted, vested but not exercisable, exercised, held directly, indirectly or beneficially by each key management person, including their related entities.

29. RELATED PARTIES (cont'd)

Movement in shares

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

Directors	Held at year opening	Purchases	Disposals	Held at resignation	Held at year end
2015					
Mr J Conidi	32,626,264	15,000	-	-	32,641,264
Mr A Harrison	3,508,772	-	-	-	3,508,772
Mr D Kucera	1,335,675	10,135	-	-	1,345,810
Mr S Sewell	110,950	842	-	111,792	-
2014					
Mr J Conidi	32,626,264	-	-	-	32,626,264
Mr A Harrison	3,508,772	-	-	-	3,508,772
Mr D Kucera	1,427,238	22,014	(113,577)	-	1,335,675
Mr S Sewell	109,264	1,686	-	-	110,950

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

30. 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 Company, further sub-division of the geographic area is deemed unnecessary. Senior Management and the Board regularly review Capitol's operating results to allocate resources and assess/ review Capitol's performance as a whole. As the Group operates in a single business and geographic segment, no further disclosure is required.

	2015 $	2014 $
31. RECONCILIATION OF CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Cash flows from operating activities		
Profit for the year	**3,863,653**	**7,232,870**
Adjustments for;		
Depreciation and amortisation	4,929,070	3,534,640
Impairment of assets	15,037	7,744
Income tax expense	3,923,400	2,957,929
Operating profit before changes in working capital & provisions	**12,731,160**	**13,733,183**
Change in trade and other receivables	(2,690,504)	(67,602)
Change in net other assets	(417,458)	(2,609,381)
Change in trade and other payables	5,326,624	13,746
Change in provisions and employee benefits	657,164	1,043,598
Net cash provided by operating activities	**15,606,986**	**12,113,544**

	2015 $	2014 $

32. PARENT ENTITY DISCLOSURES

Financial information

	2015 $	2014 $
Total comprehensive income for the year	**644,041**	**-**
Current Assets	-	(20)
Total Assets	**88,462,692**	**31,541,850**
Current Liabilities	-	-
Total Liabilities	**276,018**	**-**
Issued capital	87,542,633	31,541,850
Reserves	644,041	-
Total Equity	**88,186,674**	**31,541,850**
Guarantees	**75,042,275**	**12,094,822**

No dividend from a controlled entity was accrued in 2015 (2014: Nil).

Guarantees

The parent entity has provided financial guarantees in respect of bank overdrafts, finance leases and loans of the subsidiaries amounting to $75,042,275 (2014: $12,094,822), 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 Company has no commitments to acquire plant and equipment (2014: Nil) and has no contingent liabilities.

33. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to balance date the Company declared a final dividend for the financial year ending 30 June 2015 of $0.0065 per share (2014: $0.005), with a maximum dividend payable subject to elections under the Company's Dividend Reinvestment Plan of $3,396,692 (2014: $2,155,901).

Subsequent to balance date the Company acquired the corporate entity of Eastern Radiology Services Pty Ltd ACN 128 588 376 on 1 July 2015 for the purposes of extending the facility network of the Company in a key strategic geographical sub-area within the geographical segment. Control of the corporate entity was obtained through the purchase of 100% of the issued share capital and the recognition of identifiable assets and liabilities. As at the date of this report the accounting for the acquisition entries has not been finalised and therefore no additional information is available for disclosure.

In the opinion of the Directors of Capitol Health Limited:

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

  (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2015 and their performance for the financial year ended on that date; and

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

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

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

The Directors have been given the declarations required by Section 295A of the Corporations Act for the financial year ending 30 June 2015.

Signed in accordance with a resolution of the Directors.

____
John Conidi
Managing Director

Dated at Melbourne, Victoria this 10th day of August 2015.

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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 2015, 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.

RSM Bird Cameron Partners

Independence

In conducting our audit, 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 2015 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 9 to 11 of the directors' report for the financial year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001.*

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

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Partner

Dated: 10 August 2015
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	%
National Nominees Limited	37,205,637	7.12
J P Morgan Nominees Australia Limited	34,733,406	6.65
Idinoc Pty Ltd <J & R Conidi Family A/C>	28,927,886	5.54
BNP Paribas Noms Pty Ltd <DRP>	27,109,673	5.19
HSBC Custody Nominees (Australia) Limited	25,332,687	4.85
Nick Conidi Pty Ltd <Conidi Family A/C>	16,414,740	3.14
Gia Chau Pty Ltd	14,000,000	2.68
Peter Hunt + Janette Hunt <Hunt Super Fund A/C>	12,809,792	2.45
Citicorp Nominees Pty Limited	11,145,503	2.13
Australian Foundation Investment Company Limited	9,905,172	1.90
Stelhaven SMSF Pty Ltd <Stelhaven Super Fund A/C>	9,677,419	1.85
Stella Ha	7,894,833	1.51
UBS Nominees Pty Ltd	6,359,465	1.22
Wayne David McGregor	6,034,922	1.15
Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	5,421,959	1.04
Sandhurst Trustees Ltd <Endeavor Asset Mgmt MDA A/C>	4,394,846	0.84
Teleah Pty Ltd <JR Sauvey Super Fund A/C>	4,009,792	0.77
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	3,734,350	0.71
Ian Davies	3,574,792	0.68
Andrew Duncan Harrison + Katrina Ellen Harrison <Harrison Super Fund A/C>	3,508,772	0.67
	272,195,646	**52.09**

Distribution schedules

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

Fully paid ordinary shares

Range			Holders	Units	%
1	-	1,000	506	297,273	0.06
1,001	-	5,000	2,011	6,166,023	1.18
5,001	-	10,000	1,605	12,602,338	2.41
10,001	-	100,000	3,487	105,010,793	20.10
100,001	-	Over	405	398,491,546	76.26
Total			**8,014**	**522,567,973**	**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	32,641,264	6.25
National Australia Bank Limited	26,560,234	5.08

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	Units
252	65,949

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