

Appendix 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The following information is provided to the ASX under listing rule 4.2A

Reporting period

Half-Year ended 31 December 2020

Comparative period

Half-Year ended 31 December 2019

	Dec 2020 \$000	Dec 2019 \$000	% change Increase/ (decrease)
Results from Continuing Operations			
Revenue from ordinary activities	85,305	80,554	5.9%
Profit from ordinary activities after tax attributable to members	6,237	2,693	131.6%
Net profit attributable to members of parent	6,274	2,693	133.0%

Dividends and Distributions	Record Date	Payment Date	Amount per Security	Franked Amount per Security
Interim dividend 2021	5 March 2021	2 April 2021	0.5 cents	100%
Final dividend 2020	25 September 2020	23 October 2020	0.5 cents	100%

No foreign conduit is attributable to the dividends

Dividend Reinvestment Plan

Capitol Health's dividend reinvestment plan is currently suspended and will not be offered to ordinary shareholders with the FY21 Interim Dividend.

Net Tangible Asset Backing

	Dec 2020	Dec 2019
Net tangible Assets per ordinary security (cents)	2.14	0.82

Change in Control Over Entities

	Dec 2020	Dec 2019
Effective 1 July 2020, the Group established Lime Avenue Radiology Pty Ltd in which it holds a 70% interest. There were no other changes in control over entities during the period.		

Other Information Regarding the Accounts

This report is based on the condensed consolidated financial statements for the half-year ended 31 December 2020 which have been reviewed by Deloitte Touche Tohmatsu.

Additional information supporting the ASX Appendix 4D disclosure requirements can be found in the Consolidated Interim Financial Report for the Half-Year Ended 31 December 2020.

This Appendix 4D should be read in conjunction with the audited Annual Report for the year ended 30 June 2020 and public announcements made in the period by Capitol Health Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

CAPITOLHEALTH
LIMITED

ABN 84 117 391 812

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2020

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Capitol Health Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

The Directors present their report together with the financial report of Capitol Health Limited ("Company") and its controlled entities (the "Group") for the half-year ended 31 December 2020, and the auditor's report thereon.

Directors

The Directors of the Company at any time during the half-year and up to the date of this report are:

Mr Andrew Demetriou

Non-Executive Director and Chairman

Mr Justin Walter

Managing Director and Chief Executive Officer

Mr Richard Loveridge

Non-Executive Director

Ms Nicole Sheffield

Non-Executive Director

Financial Review

The Group recorded a profit for the half-year ended 31 December 2020 of \$6.2 million.

- Operating revenue increased 5.9% to \$85.3 million over the prior corresponding period. This increase was despite a second Covid-19 lockdown in Victoria and was driven by revenue from organic growth initiatives, re-indexation of Medicare rebates, and newly acquired businesses;
- Profit before Finance Costs, Depreciation and Amortisation and Income tax (EBITDA) increased 41.4% from \$16.0 million to \$22.6 million, as a result of the increased revenues over the period, cost containment, continuation of the JobKeeper program to the end of September 2020 and reduced transaction and restructure costs.
- Operating EBITDA (EBITDA prior to non-operating Transaction and restructure costs and the Revaluation/(impairment) of financial assets) increased 50.1% from \$17.7 million to \$26.6 million with the impairment entirely due to the movement in the AUD:USD exchange rate on the Group's investment in Enlitic (denominated in USD).
- The Operating EBITDA margin (Operating EBITDA as a percentage of Revenue) improved significantly to 31.1% compared to the previous comparable period of 22.0%. This improvement in margin reflects the implementation of strategic plan initiatives and continual focus on cost control.
- With the extension of Covid-19 lockdown in Victoria management continued to maintain tight control over the cost base of the business particularly focusing on matching staff levels and clinic operating hours to patient demand
- The Group was a recipient of the JobKeeper program during the period. The Group received \$5.8 million in funding net of payment of wage to-ups in line with government policy to retain highly trained medical professionals and support staff during the lockdown period in Victoria and for the reduced demand in services.
- Transaction and restructure costs of \$1.5 million compared to \$1.7 million in prior comparable period.
- Net finance costs decreased 12.5% over the corresponding prior period to \$1.7 million reflecting interest savings on a reduced level of borrowings from the prior period.
- The business cashflow relief on income taxes that the Group availed itself of were all settled within the period.

Directors' Report

- The effective income tax rate for the period was 42.6% compared to 34.2% in the previous comparable period as a result of the impact of by the unrealised foreign exchange loss on the Enlitic investment.

Capital Management Initiatives

During the half-year to 31 December 2020 the Group did not undertake any new capital management initiatives and the share buy-back facility was not utilised over this period.

Events Occurring after the Reporting Period

Subsequent to the end of the Reporting Period:

Acquisition

On 1 February 2021 the Group completed the acquisition of the business and assets of Direct Radiology, which operates diagnostic imaging clinics in Fairfield, Monbulk and South Melbourne in Victoria.

The consideration for the acquisition amounted to \$12.65 million and was funded from cash reserves, existing bank debt facilities and \$0.65 million in issued shares in the Company. The shares are to be held in voluntary escrow until 31 August 2023 and are subject to achieving a revenue target in FY23.

Dividend

The Company declared an interim dividend for the half-year ended 31 December 2020 of 0.5 cents per share (31 December 2019: 0.5 cents) with the maximum dividend payable of \$5.1 million (31 December 2019: \$3.8 million).

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

Auditor's Independence Declaration

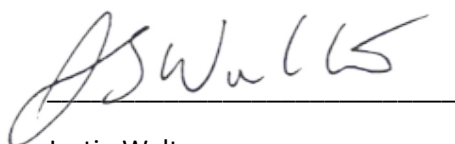
The auditor's independence declaration is set out on page 4 of the consolidated interim financial report and forms part of the Directors report for the half-year ended 31 December 2020.

Rounding of Amounts

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

Signed in accordance with a resolution of the Directors made pursuant to Section 306(3) of the Corporations Act 2001.

On behalf of the Directors



Justin Walter
Managing Director and Chief Executive Officer
Melbourne, Victoria
23 February 2021



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23 February 2021

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

Dear Board Members

Capitol Health Limited

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

As lead audit partner for the review of the financial statements of Capitol Health Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Anneke du Toit".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink, appearing to read "Anneke du Toit".

Anneke du Toit
Partner
Chartered Accountants

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**Condensed Consolidated Statement of Profit or Loss
and Other Comprehensive Income**
for the Half-Year Ended 31 December 2020

	Notes	31 Dec 2020 \$000	31 Dec 2019 \$000
Statement of Profit or Loss			
Revenue	4	85,305	80,554
Wages, contractor costs and salaries		(45,684)	(49,796)
Occupancy costs		(2,218)	(2,415)
Medical equipment and consumable supplies		(4,687)	(4,422)
Service costs		(6,162)	(6,228)
Transaction and restructure costs		(1,490)	(1,676)
Revaluation/(impairment) of financial assets	6	(2,416)	-
Profit before Finance Costs, Depreciation and Amortisation, and Income Tax		22,648	16,017
Depreciation and amortisation		(10,070)	(9,970)
Profit before Finance Costs and Income Tax		12,578	6,047
Net finance costs	5	(1,712)	(1,957)
Profit before Income Tax		10,866	4,090
Income tax expense		(4,629)	(1,397)
Profit for the Half-Year		6,237	2,693
Attributable to:			
Equity holders of the parent		6,274	2,693
Non-controlling interests		(37)	-
		6,237	2,693
Basic Earnings per share (cents)	14	0.61	0.35
Diluted Earnings per share (cents)	14	0.59	0.34
Other Comprehensive Income			
Profit for the Half-Year		6,237	2,693
Net gain/(loss) on interest rate derivative, net of income tax		53	(137)
Other Comprehensive Income, net of income tax		53	(137)
Total Comprehensive Income for the Half- Year		6,290	2,556
Attributable to:			
Equity holders of the parent		6,327	2,556
Non-controlling interests		(37)	-
		6,290	2,556

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position
as at 31 December 2020

	Notes	31 Dec 2020 \$000	30 Jun 2020 \$000
Assets			
Cash and cash equivalents		19,048	13,763
Trade and other receivables		4,606	5,493
Other financial assets	6	262	277
Other assets		1,540	767
Total Current Assets		25,456	20,300
Plant and equipment		40,159	40,820
Right-of-use asset	9	57,656	54,729
Intangible assets	7	117,358	117,949
Other financial assets	6	19,722	22,138
Other receivables		362	630
Deferred tax asset		5,510	5,741
Total Non-Current Assets		240,767	242,007
Total Assets		266,223	262,307
Liabilities			
Trade and other payables		14,666	16,967
Lease liabilities	9	9,406	9,640
Employee benefit liabilities		11,729	10,828
Income tax liability		3,922	2,751
Total Current Liabilities		39,723	40,186
Borrowings	8	17,000	17,000
Lease liabilities	9	55,796	52,702
Other financial liability	10	4,884	3,698
Provisions		1,340	1,340
Employee benefit liabilities		817	852
Deferred tax liability		2,030	2,490
Total Non-Current Liabilities		81,867	78,082
Total Liabilities		121,590	118,268
Net Assets		144,633	144,039
Equity			
Issued capital	11	146,340	145,776
Reserves	12	1,608	2,694
Accumulated losses		(3,501)	(4,654)
Equity Attributable to Owners of the Parent		144,447	143,816
Non-controlling Interests		186	223
Total Equity		144,633	144,039

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows
for the Half-Year Ended 31 December 2020

	Notes	31 Dec 2020 \$000	31 Dec 2019 \$000
Operating Activities			
Receipts from customers		85,470	81,575
Payments to suppliers and employees		(56,031)	(65,337)
Interest received		4	14
Interest and other finance charge on borrowings		(676)	(791)
Interest on lease liabilities		(1,004)	(1,003)
Income tax (paid)/refunded		(3,620)	59
Net cash flows from operating activities		24,143	14,517
Investing Activities			
Purchase of plant and equipment		(3,782)	(5,330)
Payments for business acquisitions, investments including transaction costs		(1,579)	(8,008)
Net cash flows (used in) investing activities		(5,361)	(13,338)
Financing Activities			
Payments in respect of share buy-back and costs		-	(10)
Proceeds on exercise of options		197	-
Proceeds of secured loans		-	5,000
Payment of dividend		(8,997)	(3,842)
Payment of dividends to non-controlling interests		(92)	-
Cash payment of lease liabilities		(4,605)	(4,176)
Net cash flows from financing activities		(13,497)	(3,028)
Net increase/(decrease) in cash and cash equivalents		5,285	(1,849)
Cash and cash equivalents at beginning of the period		13,763	7,330
Cash and cash equivalents at end of the period		19,048	5,481

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

Condensed Consolidated Statement of Changes in Equity
for the Half-Year Ended 31 December 2020

	Issued Capital	Reserves	Accumulated Profits/ (Losses)	Sub- Total	Non- Controlling Interests	Total Equity
Balance at 1 July 2020	145,776	2,694	(4,654)	143,816	223	144,039
Profit for the half-year	-	-	6,274	6,274	(37)	6,237
Other Comprehensive Income for the half-year	-	53	-	53	-	53
Total Comprehensive Income	-	53	6,274	6,327	(37)	6,290
<i>Transactions with Equity Holders</i>						
Exercise of options	198	-	-	198	-	198
Conversion of issued options/rights	400	(400)	-	-	-	-
Put option from sale/acquisition of business	-	(983)	-	(983)	-	(983)
Share issue costs	(34)	-	-	(34)	-	(34)
Dividend paid	-	-	(5,121)	(5,121)	-	(5,121)
Allocation of share-based employee costs	-	244	-	244	-	244
Total Transactions with Equity Holders	564	(1,139)	(5,121)	(5,696)	-	(5,696)
Balance at 31 December 2020	146,340	1,608	(3,501)	144,447	186	144,633

Balance at 1 July 2019	107,632	1,374	6,627	115,633	-	115,633
Profit for the half-year	-	-	2,693	2,693	-	2,693
Other Comprehensive Income for the half- year	-	(137)	-	(137)	-	(137)
Total Comprehensive Income	-	(137)	2,693	2,556	-	2,556
<i>Transactions with Equity Holders</i>						
Share buy-back and costs	(10)	-	-	(10)	-	(10)
Dividend paid	-	-	(3,842)	(3,842)	-	(3,842)
Allocation of share-based employee costs	-	348	-	348	-	348
Total Transactions with Equity Holders	(10)	348	(3,842)	(3,504)	-	(3,504)
Balance at 31 December 2019	107,622	1,585	5,478	114,685	-	114,685

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

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2020

1. Reporting Entity

Capitol Health Limited (the “Company”) is a company incorporated and domiciled in Australia. Capitol Health Limited is a company limited by shares which are publicly traded on the Australian Securities Exchange. The consolidated interim financial report of the Company for the half-year ended 31 December 2020 comprises the Company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial report of the Group for the year ended 30 June 2020 may be viewed on the Company’s website: <https://www.capitolhealth.com.au/reports-and-presentations>

2. Basis of Preparation

This consolidated interim financial report is a general purpose financial report prepared in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information required for a full financial report and should be read in conjunction with the consolidated annual financial report of the Group for the year ended 30 June 2020. It is also recommended that the consolidated interim report be considered together with any public announcements made by the Group in accordance with continuous disclosure obligations under the *Corporations Act 2001* and ASX listing rules.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report for the year ended 30 June 2020, except as noted in 2 iii) below.

The consolidated interim financial report was approved by the Directors on 23 February 2021.

i) **Going Concern**

The financial statements have been prepared on a going concern basis. For the half-year ended 31 December 2020, the consolidated entity made a profit of \$6.2 million (31 December 2019: \$2.7 million) and had net current liabilities of \$14.3 million (31 December 2019: \$19.9 million).

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

- a) the consolidated entity has sufficient working capital to enable it to meet its objectives and financial obligations. Net available funding available through its secured banking facilities totals \$154 million.
- b) the consolidated entity generated net operating cash inflow for the half-year ended 31 December 2020 of \$24.1 million (31 December 2019: \$14.5 million).

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

ii) **Comparative Figures**

Where applicable comparative amounts have been adjusted to conform to changes in presentation in the current half-year.

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2020

2. Basis of Preparation (continued)

iii) *New accounting standards and interpretations*

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

The Directors of the Group do not anticipate that the adoption of any of the amendments not yet adopted will have a material impact in future periods on the financial statements of the Group.

3. Significant Accounting Estimates, Assumptions and Judgements

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

In preparing the consolidated interim financial report, the significant judgements made by management in applying the Groups' accounting policies and the key source of estimation uncertainty were consistent with those made for the consolidated financial report as at and for the year ended 30 June 2020.

4. Revenue

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

	31 Dec 2020 \$000	31 Dec 2019 \$000
Major service category		
Diagnostic imaging services	85,244	80,419
Other operating revenue	61	135
Total Revenue	85,305	80,554

Revenue is recognised when the imaging service is rendered, and payment is either rebated via Medicare or payable on date of service.

5. Net Finance Costs

	31 Dec 2020 \$000	31 Dec 2019 \$000
Interest income	6	13
Interest on borrowings	(633)	(875)
Establishment fee	(13)	-
Interest rate swap	(68)	(83)
Lease interest	(1,004)	(1,003)
Other interest	-	(9)
	(1,712)	(1,957)

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2020

6. Other Financial Assets

	31 Dec 2020 \$000	30 June 2020 \$000
<i>Current</i>		
Rental bonds – held to maturity	262	277
<i>Non-current</i>		
Investment in unlisted entity	19,722	22,138
<i>Movement</i>		
Fair value – opening balance	22,138	20,408
Investment during the period	-	3,006
Revaluation/(impairment) of financial assets		
Unrealised foreign exchange gain/(loss)	(2,416)	343
Impairment charge	-	(1,619)
Fair value – closing balance	19,722	22,138

The investment in unlisted entity is a level 3 financial asset as defined in 2.6.4 Fair Value Measurement of the 30 June 2020 Annual Report.

7. Intangible Assets

	Goodwill \$000	Brands and Trademarks \$000	Referrer Relationships \$000	Total \$000
At 1 July 2020	109,722	1,258	6,969	117,949
Adjustment re prior year acquisitions	34	-	-	34
Amortisation charge	-	-	(625)	(625)
At 31 December 2020	109,756	1,258	6,344	117,358
Cost value	109,756	1,258	8,318	119,332
Accumulated amortisation & impairment	-	-	(1,974)	(1,974)
Total at 31 December 2020	109,756	1,258	6,344	117,358

	Goodwill \$000	Brands and Trademarks \$000	Referrer Relationships \$000	Total \$000
At 1 July 2019	97,304	762	3,928	101,994
Acquisition of entities and businesses (net)	12,399	496	3,796	16,691
Adjustment re prior year acquisitions	19	-	(27)	(8)
Amortisation charge	-	-	(728)	(728)
At 30 June 2020	109,722	1,258	6,969	117,949
Cost value	109,722	1,258	8,318	119,298
Accumulated amortisation & impairment	-	-	(1,349)	(1,349)
Total at 30 June 2020	109,722	1,258	6,969	117,949

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2020

7. Intangible Assets (continued)

The Group has performed an assessment of impairment indicators at the end of the reporting period, following the full impairment testing that was conducted at 30 June 2020. There were no indicators of impairment identified that required an impairment test to be conducted at the end of the reporting period.

8. Borrowings

	31 Dec 2020 \$000	30 June 2020 \$000
Non-current		
Bank borrowings	17,000	17,000
	17,000	17,000

The Group complied with all applicable financial covenant requirements for the half-year ended 31 December 2020.

9. Leases

	31 Dec 2020 \$000	30 June 2020 \$000
Current		
Lease liabilities	9,406	9,640
	9,406	9,640
Non-current		
Lease liabilities	55,796	52,702
	55,796	52,702

i) Reconciliation of movement of Right-of-use asset for half-year ended

	Property Leases \$000	Equipment Leases \$000	Total \$000
At 1 July 2020	53,211	1,518	54,729
New leases entered into during the period	5,220	1,930	7,150
Remeasured and modified leases	409	84	492
Terminated leases	(86)	(23)	(109)
Amortisation charge	(4,316)	(291)	(4,607)
At 31 December 2020	54,437	3,219	57,656
Cost value	66,463	3,952	70,415
Accumulated amortisation	(12,026)	(733)	(12,759)
Total at 31 December 2020	54,437	3,219	57,656

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2020

9. Leases (continued)

i) Reconciliation of movement of Right-of-use asset for half-year ended (continued)

	Property Leases \$000	Equipment Leases \$000	Total \$000
At 1 July 2019	52,939	1,988	54,927
New leases entered into during the period	4,756	-	4,756
Leases acquired on acquisition	2,121	-	2,121
Remeasured and modified leases	1,400	75	1,475
Amortisation charge	(8,005)	(545)	(8,550)
At 30 June 2020	53,211	1,518	54,729
Cost value	61,216	2,063	63,279
Accumulated amortisation	(8,005)	(545)	(8,550)
Total at 30 June 2020	53,211	1,518	54,729

ii) Reconciliation of movement of lease liability for half-year ended

	Property Leases \$000	Equipment Leases \$000	Total \$000
At 1 July 2020	(54,803)	(7,539)	(62,342)
Interest expense	(851)	(153)	(1,004)
New leases entered into during the period	(5,220)	(1,930)	(7,150)
Remeasured and modified leases	(284)	(85)	(369)
Terminated leases	51	14	65
Loss on modification/termination	(12)	-	(12)
Cash payments	4,149	1,461	5,610
At 31 December 2020	(56,970)	(8,232)	(65,202)
Current	(7,523)	(1,883)	(9,406)
Non-current	(49,447)	(6,349)	(55,796)
Total at 31 December 2020	(56,970)	(8,232)	(65,202)

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2020

9. Leases (continued)

ii) Reconciliation of movement of lease liability (continued)

	Property Leases \$000	Equipment Leases \$000	Total \$000
At 1 July 2019	(52,939)	(8,899)	(61,838)
Interest expense	(1,605)	(363)	(1,968)
New leases entered into during the period	(5,981)	-	(5,981)
Leases acquired on acquisition	(2,121)	(815)	(2,936)
Remeasured and modified leases	(175)	(75)	(250)
Covid-19 rent relief	380	-	380
Cash payments	7,638	2,613	10,251
At 30 June 2020	(54,803)	(7,539)	(62,342)
Current	(7,212)	(2,428)	(9,640)
Non-current	(47,591)	(5,111)	(52,702)
At 30 June 2020	(54,803)	(7,539)	(62,342)

10. Other Financial Liabilities

	31 Dec 2020 \$000	30 June 2020 \$000
<i>Non- Current</i>		
Other financial liabilities	4,884	3,698

Other financial liabilities, in respect of the put and call options in relation to the non-wholly owned entities, have been valued at fair value in accordance with AASB 132 *Financial Instruments: Presentation*.

A financial liability of \$1.2 million has been recognised in the period in respect of a new put option.

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2020

11. Issued Capital

	31 Dec 2020 \$000	30 June 2020 \$000
Issued Capital	146,340	145,776

	31 Dec 2020		30 June 2020	
	Number of shares	\$000	Number of shares	\$000
Balance at 1 July	1,022,597,194	145,776	768,444,825	107,632
Exercise of options	1,000,000	198	-	-
Share placement and share purchase plan	-	-	248,996,426	40,000
Shares issued on acquisition	-	-	6,901,313	-
Share issue costs	-	(34)	-	(1,499)
Share buy-back			(1,745,370)	(357)
Conversion from Share Option Reserve	1,502,566	400	-	-
Balance at end of period	1,025,099,760	146,340	1,022,597,194	145,776

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

Options and Performance Rights

The Company operates an incentive plan referred to as the Capitol Health Limited Employee Incentive Option Plan. The table below summarises the number of options and performance rights that were outstanding, their weighted average exercise price as well as the movements during the half-year:

	31 Dec 2020		30 June 2020	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
Balance at 1 July	33,480,342	28.96	32,839,827	28.96
Granted	6,966,102	24.06	2,385,280	-
Exercised	(2,502,566)	(19.70)	-	-
Forfeited	(4,342,496)	(30.06)	(1,744,765)	-
Balance at end of period	33,601,382		33,480,342	
Represented by:				
Options	28,250,000	29.53	29,400,000	28.96
Performance rights	5,351,382	-	4,080,342	-
Balance at end of period	33,601,382		33,480,342	

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2020

12. Reserves

	Currency translation \$000	Interest rate derivative \$000	Option \$000	Other \$000	Total \$000
Balance at 1 July 2020	-	(53)	2,107	640	2,694
Exchange differences on translation of foreign subsidiaries					
Interest rate derivative movement	-	53	-	-	53
Option Valuation Transferred on Exercise	-	-	(400)	-	(400)
Put options from sale/purchase	-	-	-	(983)	(983)
Allocation of share-based employee costs	-	-	244	-	244
Movement for the financial year	-	53	156	(983)	1,086
Balance at 31 December 2020	-	-	1,951	(343)	1,608

Balance at 1 July 2019	(9)	-	1,383	-	1,374
Exchange differences on translation of foreign subsidiaries	9	-	-	-	9
Interest rate derivative movement	-	(53)	-	-	(53)
Fair value of shares issued on acquisition	-	-	-	2,070	2,070
Put options from sale/purchase	-	-	-	(1,430)	(1,430)
Allocation of share-based employee costs	-	-	724	-	724
Movement for the financial year	9	(53)	724	640	1,320
Balance at 30 June 2020	-	(53)	2,107	640	2,694

Other Comprehensive Income (OCI) Items, net of tax:

At 31 December 2020

	Currency translation \$000	Interest rate derivative \$000	Option \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2020	-	(53)	-	-	(53)
Interest rate derivative movement	-	53	-	-	53
Balance at 31 December 2020	-	-	-	-	-

At 30 June 2020

	Currency translation \$000	Interest rate derivative \$000	Option \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2019	(9)	-	-	-	(9)
Interest rate derivative movement	-	(53)	-	-	(53)
Foreign exchange translation differences	9	-	-	-	9
Balance at 30 June 2020	-	(53)	-	-	(53)

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2020

13. Dividends

Fully franked dividends were declared during the financial period as follows:

	31 Dec 2020	30 Jun 2020
	\$000	\$000
FY19 Final Dividend paid 0.5 cents per share on 23 October 2019	-	3,842
FY20 Interim Dividend paid 0.5 cents per share on 23 October 2020*	-	3,877
FY20 Final Dividend paid 0.5 cents per share on 23 October 2020	5,121	-
	5,121	7,719

*The payment of the FY20 interim dividend declared for the half-year ended 31 December 2019 was deferred from its initial payment date of 23 March 2020 until 23 October 2020.

Since the end of the half-year to 31 December 2020, the Directors have declared an FY21 interim dividend of 0.5 cents per share which is not recognised as a liability at 31 December 2020.

The Dividend Reinvestment Plan (DRP) is currently suspended.

14. Earnings per Share (EPS)

Basic EPS is calculated by dividing the profit for the half-year attributable to ordinary equity holders of Capitol Health Limited by the weighted average number of ordinary shares outstanding during the half-year.

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

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

	31 Dec 2020	31 Dec 2019
	\$000	\$000
Profit attributable to ordinary equity holders of the parent:	6,274	2,693
<i>Weighted average ordinary shares used as the denominator in calculating:</i>	Number	Number
Basic earnings	1,024,254,107	768,415,482
Effect of dilution from share options and performance rights	31,931,921	32,022,306
Diluted earnings	1,056,186,029	800,437,788
<i>Earnings per share – Continuing operations:</i>	Cents	Cents
Basic	0.61	0.35
Diluted	0.59	0.34

On 1 February 2021 a total of 2,347,752 fully paid ordinary shares were issued to the vendors of Direct Radiology which are the subject of a voluntary escrow until 31 August 2023.

Other than this, there have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and date of the authorisation of these financial statements.

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2020

15. Business combinations - Summary of acquisitions

Combinations for this reporting period

The Group finalised the accounting of the acquisition of Fowler Simmons Radiology during the half-year ended 31 December 2020. At 30 June 2020 the group provisionally accounted for goodwill of \$14.5 million. There were no new acquisitions during the period.

Date of acquisition	Business Name	State	Purchase consideration \$000	Net Assets Acquired \$000	Goodwill \$000	Note Reference
29 February 2020	Fowler Simmons Radiology	South Australia	\$16,620	2,260	14,360	i)

- i) The Group acquired 90% of the issued share capital of Adrad Investments Pty Ltd which in turn holds 100% interest in Adelaide Radiology Pty Ltd trading as Fowler Simmons Radiology. The fair value of net assets acquired include the plant and equipment and other intangible assets comprising the referrer relationship independently valued at date of acquisition.

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

	\$'000
Payment for 90% of the Issued Shares in the Entity	
Cash	13,961
Shares issued	2,070
Deferred and contingent consideration payable	1,382
Completion adjustment ⁱⁱ⁾	(793)
	16,620
Assumed:	
Net current assets acquired	(472)
-Employee Entitlements	53
-Make Good Provision	54
Other intangible asset	
- Referrer Relationship	(2,476)
- Brand Name	(496)
Recognition of Deferred Tax Asset	(66)
Recognition of Deferred Tax Liability	892
Fair value of net assets acquired	(2,511)
Non-controlling interest	251
Goodwill	14,360

- ii) The completion adjustment has been updated since 30 June 2020 to reflect the final acquisition accounting for Fowler Simmons Radiology.

Since 31 December 2020 the company acquired the business and assets of Direct Radiology, a group comprising three clinics based in Melbourne, Victoria. For more details refer to Note 19 - Events Occurring after the Reporting Period.

Combinations for prior reporting period

The Group finalised the accounting of the acquisition of UniRadiology during the half-year ended 31 December 2019. At 30 June 2019 the group provisionally accounted for goodwill of \$8.0 million. There were no new acquisitions during the period.

Date of acquisition	Business Name	State	Purchase consideration \$000	Net Assets Acquired \$000	Goodwill \$000	Note Reference
22 March 2019	Uniradiology	VIC	8,004	2,010	5,994	ii)

- iii) The Group acquired the assets and liabilities of Uniradiology. The net assets include the plant and equipment and other intangible asset comprising the referrer relationship independently valued at date of acquisition.

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2020

16. Contingencies

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.

17. Segment Information

The Group has one business segment which is the operation of diagnostic imaging facilities in Australia. The segment is defined by national registration available for diagnostic imaging. Senior management and the Board regularly review the Group's operating results to allocate resources and assess/review the Group's performance as a whole. As the Group operates in a single business and geographic segment no further disclosures are required. Overseas controlled entities did not trade during the period.

18. Fair Value Measurement of Financial Instruments

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

19. Events Occurring after the Reporting Period

Subsequent to the end of the Reporting Period:

Acquisition

On 1 February 2021 the Group completed the acquisition of the business and assets of Direct Radiology, which operates diagnostic imaging clinics in Fairfield, Monbulk and South Melbourne in Victoria.

The consideration for the acquisition amounted to \$12.65 million and was funded from cash reserves, existing bank debt facilities and \$0.65 million in issued shares in the Company. The shares are to be held in voluntary escrow until 31 August 2023 and are subject to achieving a revenue target in FY23.

Dividend

The Company declared an interim dividend for the half-year ended 31 December 2020 of 0.5 cents per share (31 December 2019: 0.5 cents) with the maximum dividend payable of \$5.1 million (31 December 2019: \$3.8 million).

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

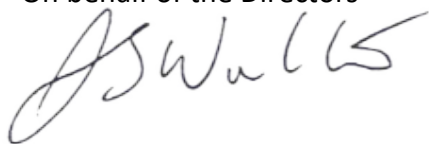
Directors' Declaration

In the opinion of the Directors of Capitol Health Limited:

- (a) the financial statements and notes set out on pages 5 to 19, are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.303 (5) of the *Corporations Act 2001*.

On behalf of the Directors



Justin Walter
Managing Director and Chief Executive Officer
Melbourne, Victoria
23 February 2021



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

Conclusion

We have reviewed the accompanying half-year financial report of Capitol Health Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) a giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Director's Responsibility for the Half-Year Financial Report

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

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Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink, appearing to read "Anneke du Toit".

Anneke du Toit
Partner
Chartered Accountants
Melbourne, 23 February 2021