Appendix 4E
RESULTS FOR ANNOUNCEMENT TO THE MARKET

The following information is provided to the ASX under listing rule 4.3A

Reporting period
Year ended 30 June 2021

Comparative period
Year ended 30 June 2020

	June 2021	June 2020	Change Increase/ (Decrease)
Results from Continuing Operations	**$000**	**$000**	**%**
Revenue from ordinary activities	177,996	153,791	15.7%
Operating EBITDA [1)]	48,023	36,358	32.1%
Profit from ordinary activities after tax attributable to members	12,028	1,088	1,005.6%
Profit for the year attributable to members of Capitol Health Ltd	11,919	865	1,277.9%

[1)] Operating EBITDA represents statutory net profit before the allocation of transaction costs, unrealised foreign exchange gain/(loss), revaluation/impairment charge, financial liabilities' movement in fair value, depreciation & amortisation, net finance costs and income tax expense

Dividends and Distributions	Record Date	Payment Date	Amount per Security	Franked amount per Security
Final dividend	24 September 2021	22 October 2021	0.5 cents	100%
Interim dividend	5 March 2021	1 April 2021	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 2021 Final Dividend.

Net Tangible Asset Backing	June 2021	June 2020
Net tangible Assets per ordinary security (cents) (Calculated excluding intangible and right-of-use assets and liabilities)	2.2	3.3

Other Information Regarding the Accounts

Additional information supporting the ASX Appendix 4E disclosures can be found in the 2021 Annual Report as attached.

This Appendix 4E should be read in conjunction with the Director's Report and the audited Financial Report for the year ended 30 June 2021 and public announcements made by Capitol Health Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

CAPITOL HEALTH LIMITED

ABN 84 117 391 812

2021 ANNUAL REPORT

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Directors

Mr Andrew Demetriou	–	Chairman and Non-Executive Director
Mr Justin Walter	–	Managing Director and Chief Executive Officer
Mr Richard Loveridge	–	Non-Executive Director
Ms Nicole Sheffield	–	Non-Executive Director
Ms Laura McBain*	–	Non-Executive Director

*Appointed 1 July 2021

Company Secretary

Ms Melanie Leydin – Company Secretary

Principal Place of Business and Registered Office

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

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

Auditor

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

Share Registry

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

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

Stock Exchange

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

Dear Fellow Shareholders

On behalf of the Board of Directors of Capitol Health Limited, I am pleased to present our 2021 Annual Report. We are pleased to note that the Company has been able to increase its revenue from $153.8m in 2020 to $178.0 m in 2021 despite challenges faced. Highlights for the year ended 30 June 2021 included:

- Revenue up 15.7% to $178.0m
- Operating EBITDA of $48.0m, up 32.1% over the prior period
- Profit after tax of $12.0m
- Earnings per share of 1.17 cents
- The Group's balance sheet remains sound with cash of $21.7m and unused funding facilities of $110.8m
- Fully franked dividends declared in FY21 totalling 1.0 cent per share

The COVID-19 pandemic continues to present very challenging conditions for the Company, and we are very proud that we were able to maintain the highest quality of care and safety for our patients, and that of our staff during this time. The Group received JobKeeper assistance employer subsidy amounting to net $5.8m during FY21, which helped the Company in continuing to retain all staff and to fund the business during various lockdowns. Despite the uncertainty of these unprecedented health and economic impacts that we are still experiencing, the Company has performed very well during this period.

We are also pleased to see that everyone's effort in building, reinforcing, and implementing procedures and measures to safeguard the Company's assets are coming to fruition. During FY21, as part of its strategic plan to grow organically and expand its network of high-quality community imaging centres, the Company has acquired Direct Radiology. Direct Radiology has three state of the art clinics offering comprehensive diagnostic imaging services located in Fairfield, Monbulk, and South Melbourne. As outlined in our previous reports, the Company continues to protect the safety of our valued staff and patients.

We also listen to our stakeholders and engage actively with them through our roadshows. As requested by our valued shareholders, we have built on the capabilities of our Board through the appointment of Ms Laura McBain, noting that she has a vast experience and knowledge of the business and finance arena. The Board continues to be on the look-out for another Board appointment, with the candidate expected to have the expertise and knowledge of the medical / clinical industry.

On behalf of the Board, I would like to thank our radiologists and staff for their continued efforts and commitment to outstanding patient care particularly in these continued challenging times; our patients who used our services and the large group of referrers who continue to support our clinics. I would also like to thank my fellow Board members for their contribution to the Company. Lastly, I thank you, the shareholders of Capitol Health, for your continued support of the Company.

Regards

Andrew Demetriou
Chairman
Melbourne, Victoria
25 August 2021

Dear Shareholders,

The 2021 financial year was a very successful one for Capitol Health given the continual challenges faced operating within a pandemic environment and resultant government lockdowns and restrictions. I commend all our Government Departments on their efforts to beat this pandemic and keep Australians safe.

Management continued to provide our much needed imaging services to our communities, while maintaining focus on implementing the Company's stated strategic plan and keeping our patients and staff safe.

Pleasing to see was the lift in organic growth in both revenue and EBITDA, with our operating margin stabilising in the range acceptable to management, expanding significantly over the last two years. For the year ended 30 June 2021, the Company increased its revenues 15.7% from FY20 to $178.0m and delivered an operating EBITDA of $48.0m up 32.1% on prior year. Margin continued to improve to 27.0%, up from 23.6% in 2020.

Our greenfield initiatives have been successful, with the FY20 sites contributing EBITDA and three new sites opened in 2021. Another three sites are planned to open in FY22. In addition, we acquired Direct Radiology, which operates diagnostic imaging clinics in Fairfield, Monbulk and South Melbourne in Victoria. This acquisition is in line with the Company's growth strategy, adding to our Melbourne geographical footprint and providing organic growth plans for the years ahead.

Our new clinical governance framework has been implemented. Complimented with the appointment of our inaugural Chief Medical Officer, joining the leadership team. Work continues on investing in systems and processes, removing complexity and manual practices, ensuring Capitol Health has a scalable business model.

In line with our strategic pillar to be a destination employer, we rolled out an industry leading parental leave scheme, an employee length of service recognition program, professional training and development framework, and annual staff surveys. We also continue to focus on ensuring all our staff are safe at work and have reduced our Lost Time Injury Frequency Rate to 2.8, outperforming to industry benchmarks.

Work will continue on implementing a standard operating model across the enterprise, optimisation and utilisation of our fleet of medical equipment, and further uplifting our referrer and patient experience through the latest in technology. Our strategic plan is on track, however we still have much to do to assist the Company to reach its' potential.

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

Justin Walter
Managing Director & Chief Executive Officer
Melbourne, Victoria
25 August 2021

The Directors of Capitol Health Limited ("Capitol Health", "Company" or "Parent Entity") present their Report together with the Financial Statements of Capitol Health Limited and its controlled entities (the "Group") for the financial year ended 30 June 2021, and the auditor's report thereon.

Directors

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

Mr Andrew Demetriou
Chairman and Non-Executive Director

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

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

Mr Justin Walter BN (Hons), MPH
Managing Director and Chief Executive Officer

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

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

Mr Richard Loveridge BCom, LLB, Grad Dip App Fin
Non-Executive Director

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

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

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

Ms Nicole Sheffield, MBA, BA LLB
Non-Executive Director

Ms Sheffield is Executive General Manager Community & Consumer at Australia Post where she is responsible for the customer experience and contact centres and digital channels as well as brand, marketing, community and corporate social responsibility. She has extensive experience in media, marketing and digital industries, including as Chief Digital Officer for News Corp Australia and Chief Executive of NewsLifeMedia, leading the lifestyle publishing division.

Ms Sheffield is a former Director of Chief Executive Women, has previously served as Chair of the Interactive Advertising Bureau (IAB) Australia and is a regular speaker and commentator on business, media and women's issues. She currently serves on the Australia Retailers Council and is Chair of ABC Advisory Council. She has a Masters of Business (UTS) and a Bachelor of Arts/Bachelor of Laws (Macquarie University).

Ms Laura McBain, BCom
Non-Executive Director - appointed 1 July 2021

Ms McBain joins Capitol Health with extensive leadership experience having held roles of CEO / General Manager at Bellamy's Australia Limited, Managing Director of Maggie Beer Holdings Limited and Non-Executive Director of Export Finance Australia.

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

Ms McBain is a Non-Executive Director for ASX listed Lark Distilling Ltd (ASX: LRK) - June 2020 to present.

Company Secretary

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

Ms Leydin has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Directors' Meetings

Committee Membership

As at the date of the report, Capitol Health 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 Demetriou (Chairman)	Mr R Loveridge (Chairman)
Mr R Loveridge	Mr A Demetriou[1)]
Ms N Sheffield	Ms N Sheffield
Ms L McBain[2)]	Ms L McBain[2)]

1) Resigned from Audit Risk Committee effective 1 July 2021
2) *Appointed 1 July 2021*

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

	Board		Nomination & Remuneration Committee		Audit & Risk Committee	
Director	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**
Mr A Demetriou	13	13	5	5	5	5
Mr J Walter	14	14	-	-	-	-
Mr R Loveridge	14	14	5	5	5	5
Ms N Sheffield	14	14	5	5	5	5

Interests in Shares and Options of the Company and related bodies Corporate

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

Director	Ordinary Shares	Performance Rights
Mr A Demetriou	200,000	-
Mr R Loveridge	656,364	-
Mr J Walter	-	5,351,382

Dividends

Capitol Health has been paying dividends on a biannual basis since they were reinstated by the Board in 2018. The payment of dividends, while subject to corporate, legal and regulatory considerations, expect to continue in future years. The Company has a franking account balance of $7.8 million at 30 June 2021.

Dividends Declared on Ordinary Shares	Cents	$000
FY21 final dividend declared	0.5	5,140
Dividends accounted for in FY21		
FY21 interim dividend (declared and paid)	0.5	5,137
FY20 final dividend (declared and paid)	0.5	5,121

All dividends paid were fully franked.

Dividend Reinvestment Plan ("DRP")

Capitol Health operated a DRP in respect of the FY18 final dividend but suspended the operation of the DRP prior to the FY19 interim dividend. The DRP currently remains suspended.

Operating and Financial Review

Principal Activities

Capitol Health Limited (ASX:CAJ) is a leading provider of diagnostic imaging modalities and related services to the Australian healthcare market. Headquartered in Melbourne, during the period to 30 June 2021 it operated 63 clinics throughout Victoria, Tasmania, Western Australia and South Australia. While trading primarily under its flagship brand, Capital Radiology, it also trades as Imaging@Olympic Park, Radiology Tasmania and Fowler Simmons Radiology.

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

Our market position allows us to meet a growing consumer demand from patients, general practitioners, allied health professionals and medical specialists by conducting more than 1.2 million examinations annually. Capitol Health both employs and contracts with over 800 people in the delivery of our services which includes approximately 100 specialist radiologists.

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

Capitol Health also has an investment in diagnostic imaging artificial intelligence through Enlitic Inc in the United States.

Operating and Financial Review (continued)

Financial Performance

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

Summary Income Statement	2021 $m	2020 $m	Change %
Revenue from ordinary activities	**178.0**	**153.8**	**15.7%**
Profit before Depreciation and Amortisation, Finance Costs and Income Tax (EBITDA)	**44.2**	**32.0**	**38.1%**
Before allocation of:			
Transaction Costs	1.3	3.1	
Unrealised Foreign Exchange Gain/(Loss)	1.9	(0.3)	
Revaluation/(Impairment) of Financial Assets	0.7	1.6	
Movement of other financial liabilities	(0.1)	0.0	
Operating EBITDA	**48.0**	**36.4**	**32.1%**
Operating Margin (Operating EBITDA/Revenue)	**27.0%**	**23.6%**	

The FY21 Operating results represent continued momentum in the delivery of the 3-year strategy with clinic activities disrupted from Covid-19. The business was successful in growing its revenue 15.7% to $178.0m despite an extended lockdown period affecting 47 of our clinics in Victoria. The focus on strategy allowed the business to open additional greenfield clinics across three states and complete the acquisition with subsequent integration of Direct Radiology.

The focus on matching staffing levels to patient demand for services and operating cost control assisted in delivering a 32.1% increase in operating EBITDA to $48.0m and an operating margin of 27.0%. The business was a recipient of the government funded JobKeeper program to assist in retention of its highly trained medical professionals and support staff whilst experiencing reduced demand for patient services. Net of wage top-ups paid to staff in line with government policy the business received $5.8m in funding before tax which is presented in the financial statements as a reduction of operating labour costs. The business faced higher operating costs with personal protective equipment for patients and staff and benefited from rent concessions from certain landlords.

Non-operating items included transaction costs related to business acquisitions, particularly in respect of Direct Radiology. They also included an unrealised foreign exchange loss, and an impairment of the investment, in respect of Enlitic.

Financial Highlights

Capitol Health achieved a statutory net profit after tax for the year ended 30 June 2021 of $12.0 million (2020: $1.1 million).

- Revenue from services provided increased 15.7% on the prior year to $178.0 million driven by organic growth for services, the acquisition of Direct Radiology, an increase in Medicare rebates for certain services and the opening of greenfield clinics in Victoria, South Australia and Western Australia.

- Excluding revenue from the recent acquisitions, Fowler Simmons Radiology and Direct Radiology, the underlying organic growth rate for revenue was 10.3%.

- Profit Before Finance Costs, Income Tax, Depreciation and Amortisation ("EBITDA") increased 38.1% to $44.2 million compared to $32.0 million in FY20. This growth in EBITDA was achieved through strong growth in revenue, tight management of operating costs including alignment of labour costs to demand for services at clinics, government funding support, reduced transaction costs and despite the ongoing impacts to operational activities from Covid-19.

- Operating EBITDA (EBITDA prior to non-operating items including Transaction costs, Unrealised foreign exchange gain/(loss), Revaluation/(impairment) of financial assets and Movement in financial liabilities) increased 32.1% from $36.4 million to $48.0 million.
- Operating EBITDA Margin (Operating EBITDA as a percentage of Revenue from services provided) was 27.0% compared to the prior comparable period of 23.6%. This improvement in margin reflects the implementation of strategic plan initiatives, government funding and continual focus on cost control with the matching of staff levels and clinic operating hours to patient demand. The Operating EBITDA Margin excluding the government funded JobKeeper program was 23.7%.
- Transaction costs of $1.3 million compared to $3.1 million in the prior comparable period were incurred in respect of completed acquisitions including the acquisition of Direct Radiology from 1 February 2021.
- An Unrealised foreign exchange loss of $1.9 million was recognised in respect of foreign currency exchange movement (AUD:USD) for the investment in unlisted entity Enlitic. The business also recognised an Impairment of financial assets (investment in unlisted entity) of $0.7 million.
- The effective Income tax rate for the period was 38.1% compared to 49.7% in the prior period. The unrealised foreign exchange loss, impairment in financial assets and the majority of transaction costs were not tax deductible.

Operational Highlights

Focus on growth

- Acquired and integrated the business of Direct Radiology with a full suite of imaging modalities and clinical expertise in women's health from February 2021. The existing clinics at Fairfield and Monbulk are supported by a growth plan to expand into a greenfield clinic at South Melbourne.
- Opened new greenfield sites at Camberwell Victoria, Morley Western Australia, and Mile End South Australia, thereby adding 3 new clinics to the group portfolio.
- Medicare diagnostic imaging benefit levels have traditionally grown at 4-6% per annum in the states in which we operate up until the impact of Covid-19. Growth rates have been variable since with states in various forms and durations of lockdowns.

First Choice Provider

- Implemented eReferral to accept patient referrals electronically from referrer clinics
- Implemented CRM systems in our qualitative and quantitative focussed support and optimisation of the patient/referrer experience.

Destination Employer

- Continued to enhance the capability of the management team with key appointments to Head of Growth and Head of IT.
- Implemented a feedback and coaching framework organisation wide.
- Increased focus upon staff satisfaction and development.
- Refined our staff recruitment and retention approach in alignment with our culture and values.

Next-generation Technology

- Commenced the roll out of expanded telephony and data capability at clinics nationally
- Consolidated multiple data centres nationally to a single outsourced solution
- Enhanced cyber-security protections across the national IT network

Values-based Communications

- Continued to strengthen our brand and build our reputation through strategic and values-centric communications with stakeholders
- Reinforce the business vision, purpose and pillars with stakeholders

Operational Excellence

- Successfully managed the alignment of labour resources to demand for services at clinics.
- Continued the optimisation of operational efficiencies through our cost-to-serve approach.

Capital Expenditure

- Efficiently managed asset utilisation and allocation methodologies with maintenance capital expenditure both down and delayed temporarily.
- Several small clinic leases were not renewed, as they expired, with activities being consolidated into larger nearby clinics.

Cash Flows

- Free cash flow increased to $25.9m up 25.7% on the previous corresponding period.
- Maintenance capital expenditure was minimised where appropriate.
- Cash outflows for the year were impacted by $3.9 million for the delayed payment of the FY20 interim dividend to October 2020.
- The cashflow relief on payment of income taxes that the Company received in respect of FY20 were all settled in December 2020.

Capital Management Initiatives

- Renewed the $60.0 million Cash Advance facility to May 2023, reduced the Equipment leasing facility from $15.0 million to $10.0 million and removed the $5.0 million overdraft facility.
- Increased debt outstanding to $29.0 million as at 30 June 2021 with the additional funds drawn for the Direct Radiology business acquisition.
- Net debt to last twelve months Operating EBITDA is 0.2x as at 30 June 2021 (2020: 0.3x) representing a strong balance sheet capacity for growth.
- Maintained the share buy-back programme however the programme was not utilised during the year.

Earnings Per Share

- Delivered Basic earnings per share of 1.17 cents in FY21 up from 0.11 cent in FY20.
- Delivered Diluted earnings per share of 1.13 cents in FY21 up from 0.10 cent in FY20

Dividends

- Fully franked dividends declared in respect of FY21 totalling 1.0 cent per share (FY21 Interim Dividend of 0.5 cent per share and FY21 Final Dividend 0.5 cent per share)

Likely Developments, Business Strategies and Prospects

Australia

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

International

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

Capitol Health is now 18 months into its 3-year forward-looking strategy framework that management established during FY20. The strategy articulates the five key pillars:

- First Choice Provider for our Referrers and Patients
- Destination Employer for our Employees
- Ability to use Next-generation Technology in the delivery of our quality services
- Operationally Excellent with a scalable and well governed standard operating model
- Focussed on Values Based Communications with all stakeholder groups to support our growing market reputation.

Our engines of growth include:

Organic

- Focus on 'go to' market strategy to drive market share
- Match patient demand to resourcing
- Constant review of the business to improve efficiencies

Clinic expansion and upgrades

- Review and optimise our network of clinics
- Open Greenfield clinics, brownfield redevelopment and upgrading of modalities

Acquisitions

- Locations that complement the network
- Alignment with our Company Vision, Values and Strategy
- Deliver value to shareholders
- Clinic investment to drive organic growth
- Capitalise on synergistic benefits

Technology Investment

- Referrer interface software and telehealth functionality
- Communications and data strategy
- Unlisted investment in Enlitic

Company outlook for FY22

- Focus on continuing to deliver both revenue and operating EBITDA organic growth.
- Invest in the front end of our business in operations systems and communications optimization.
- Implementation of the Standard operating model to catalyse scalability.
- Continuing to improve the 'cost-to-serve' of the business.
- Carry a strong balance sheet during the period of uncertainty due to the Covid-19 pandemic while investing in well-defined growth opportunities.

Material Business Risks

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

Impact of Covid-19

- The ongoing impacts from the Covid-19 pandemic represent a risk to the business. As society and the global economy changes, with businesses and governments seeking to respond, the Company may be adversely affected.
- The Company is a critical part of the healthcare system and is considered an essential service. Patient activity levels continue to be disrupted with various lockdowns and restrictions in a variety of forms used across Australia to limit the transmission of the disease by containing activity levels. Management has put in place practices to manage these disruptions, protect our people and patients, and continue to play our role in the healthcare system.
- Global supply chains continue to be affected and may present a risk of higher costs and of lack of supply of medical consumables, personal protective equipment, medical imaging machines or parts and information technology equipment. The business has increased its inventory holdings of medical supplies and protective equipment whilst increasing assumed lead times for delivery of medical imaging equipment and information technology equipment.

Government Policy and Regulation

- The business is subject to high levels of compliance with relevant healthcare and diagnostic imaging legislation, regulation and industry codes and standards. This risk includes potential loss of industry licences or accreditation. We seek to mitigate compliance risks through adherence to internal policies and sound corporate governance principles.
- The business operates in an environment of heavy revenue regulation with 76% of this bulk billed. If there is a significant shift in government policy or funding this could have a significant impact on the operating model. Ability to influence this directly is difficult, however can be mitigated by diversity in our service provision and business model.

Strategic

- The business may fail to complete acquisitions or deliver upon subsequent integrations affecting the growth strategy of the Company. A framework for acquisition and integration is in operation to maximise the benefits of such transactions with external advisor support where necessary.
- There are risks associated with commercial decision making and execution of strategic initiatives including greenfield and brownfield investment opportunities. We seek to minimise these through appropriate review, investment frameworks and analysis of market and internal information.
- Building strong referrer relationships through the provision of precise and timely diagnostic imaging is important to levels of referrals that drive our business prospects. Our strategies involve providing positive referrer and patient experiences whilst utilising qualitative and quantitative research to inform referrer behaviour and preferences.

Clinical and Operational

- Clinically adverse events or poor quality of service delivery may impact patients and their medical outcomes. The business is committed to providing high-quality diagnostic imaging, interventions and reporting to its patients and referring Doctors.
- Clinics may not operate in the manner required or anticipated resulting in staff, patient or referrer dissatisfaction. We carefully analyse risks in our operational activities, seeking that the benefit of the risk control measures exceed the costs of these measures

Information and Communication Technology

- The business may suffer from significant and malicious threats, misuse of information or from the non-availability of systems required to operate our information and communication assets for their intended purpose. Our internal control processes need to ensure the development of robust technology systems and procedures to mitigate these.
- The business may suffer from a failure to adopt or use technology that results in a poor competitive positioning and loss of patient referrals. We seek to mitigate this risk through a clear technology framework that involves the controlled adoption of innovative software and systems.

People

- Our people (employees and contractors) are critical for the delivery of diagnostic imaging to our clients in a community setting. Failure to recruit or retain suitable people with the right skills, competencies and behaviours will affect the provision of services. We seek to mitigate this risk through the application of our People framework, defined values and people initiatives such as our grow, perform, succeed.
- The risk of harm to our people through non-compliance with accepted OHS policy and practice. We are committed to providing a safe, flexible and respectful environment for employees and contractors free from all forms of discrimination, harassment, exploitation and bullying and where people are protected from physical or psychological harm.

Significant Changes in the State of Affairs

Acquisitions
During the financial year, the Group acquired the business and assets of Direct Radiology which operates diagnostic imaging clinics in Fairfield, Monbulk and South Melbourne in Victoria.

This acquisition is in line with the Company's growth strategy, being successful clinics located in geographical areas that the Group does not have a significant presence.

The consideration for the acquisition amounted to $12.55 million with $11.9 million funded from cash reserves and 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 and the ongoing employment of the vendors.

Other significant changes in the State of Affairs of the Group were noted above in the Operating and Financial Review.

Events Subsequent to Balance Date

Subsequent to 30 June 2021:

Coronavirus (Covid-19) pandemic
The Coronavirus (Covid-19) pandemic continues to disrupt activity levels post year end where 'snap' lockdowns in the form of Stage 4 restrictions are being used across Australia to limit the transmission of the disease by containing activity levels.

Dividend
On 25 August 2021 the Company declared a final dividend for the full year ended 30 June 2021 of 0.5 cents per share (30 June 2020: 0.5 cents) with the maximum dividend payable of $5.1 million.

Other than the above, there have been no other matters or circumstances occurring subsequent to the end of the 2021 financial year that have significantly affected or may significantly affect the operations of the Company, the results of these operations or the state of affairs of the Group in subsequent financial years.

Environmental Regulation

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

Share Options

Unissued shares
At both reporting date and the date of this report, there were 35,092,105 unissued ordinary shares of the Company under option and 5,351,382 performance rights on hand. Refer to the remuneration report for further details of the options outstanding for Key Management Personnel (KMP).

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

Shares issued as a result of the exercise of options and rights
During the financial year, a total of 1,650,000 options were exercised. In addition, 1,502,566 performance rights were converted to ordinary shares.

Indemnification and Insurance

Indemnification of directors and officers

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

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

Insurance Premiums

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

Rounding of Amounts

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

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 27 of the financial report.

Non-Audit Services

Details of amounts paid or payable to the Company's auditor for non-audit services provided during the year by the auditor are outlined in Note 36 to the financial statements.

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

The Directors are of the opinion that as non-audit services are nil as disclosed in Note 36, that this does not compromise the external auditor's independence.

Letter from the Chair of the Nomination & Remuneration Committee

Dear Shareholder

On behalf of your Board of Directors, I am pleased to present the Remuneration Report for the financial year ended 30 June 2021 (FY21).

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

FY21 has seen significant challenges for Capitol Health with COVID-19 lockdowns and resulting consequence of closing some clinics. The COVID-19 pandemic, more specifically the associated lockdowns, continue to affect our operations but our staff, KMP and Directors have risen to this challenge and are continuously improving the systems in place to deliver and build shareholder value.

The Company continues to review its remuneration framework for all its staff, KMP and Directors to ensure that it maintains the ability to remunerate, attract and retain talent of high calibre. The Committee is pleased to confirm that for FY21 the KMP exceeded the Board's expectations by outperforming all their key performance metrics, both financial and non-financial. I would also like to note, and thank management, who have forgone any payment in respect of outperformance for FY21. As the Company grows and we continue to implement the strategy that we have set for the upcoming years, higher expectations have been placed on the KMP and it is very pleasing to note their passion and great performance on delivering value to all stakeholders.

At this stage, the Company is not proposing significant changes to its remuneration framework, as the Committee believes the current one has served all stakeholders well. The Committee's overarching purpose remains ensuring our remuneration structure and policies reward fairly and responsibly with a clear link to corporate and individual performance, aligning our remuneration outcomes with the delivery of medium to long-term value.

Regards

Andrew Demetriou
Chair of the Nomination & Remuneration Committee
25 August 2021

Remuneration Report (Audited)

This Remuneration Report forms part of the Directors' Report and outlines the remuneration framework and outcomes for Key Management Personnel ("KMP") for the year ended 30 June 2021.

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

1. Remuneration Framework

1.1 Persons Covered by this Report

In this report, Key Management Personnel ("KMP") are those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly. The table below lists the KMP for the year ended 30 June 2021.

Name	Position	Period
Non-Executive Directors		
Mr A Demetriou	Chairman & Non-Executive Director	Full Financial Year
Mr R Loveridge	Non-Executive Director	Full Financial Year
Ms N Sheffield	Non-Executive Director	Full Financial Year
Executive Director		
Mr J Walter	Managing Director & Chief Executive Officer (CEO)	Full Financial Year
Senior Executive		
Mr G Hughes	Chief Operating Officer (COO)	Appointed 1 July 2020
Mr C Bremner	Chief Financial Officer (CFO)	Appointed 9 November 2020
Ms M Judkins	Chief Financial Officer (CFO)	Resigned 6 October 2020

1.2 Remuneration Policy

The objective of Capitol Health's remuneration structure is to ensure that all Directors and KMP are remunerated fairly and responsibly at a level that is competitive, reasonable and appropriate, to attract and retain suitably skilled and experienced people. The remuneration strategy of the Company is based on the following principles, which determine the remuneration components, their mix and way of delivery.

ALIGNMENT
Remuneration that is designed to promote mutually beneficial outcomes by aiding alignment of Capitol Health, Executive, Board and Stakeholder interests.

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

RELEVANCE
Appropriate mix of fixed and at-risk components, short-term and long-term incentives reflecting a balance of financial and non-financial objectives relevant to the non-operating nature of Capitol Health and specific executive roles.

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

The remuneration structures are also designed to reward the achievement of strategic objectives in alignment with the broader outcome of creation of value for shareholders.

1.3 Executive Component and Pay Mix

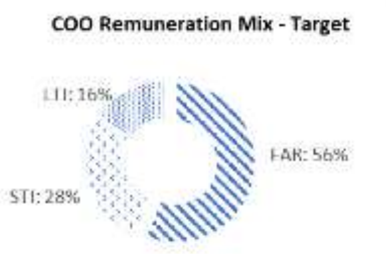
Capitol Health's executives are rewarded with a level and mix of remuneration appropriate to their position, responsibilities and performance at a level that is competitive, reasonable and appropriate, in order to attract and retain suitably skilled and experienced people and align with the business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

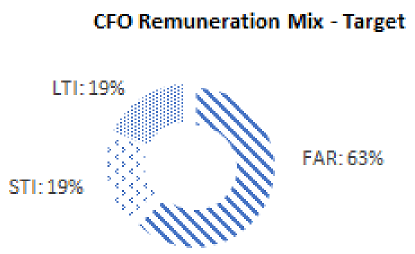
Executives receive fixed remuneration and variable remuneration consisting of short-term and long-term incentive opportunities. Executive remuneration levels, including the Managing Director and Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Financial Officer (CFO) are reviewed annually by the Nomination & Remuneration Committee with reference to the remuneration guiding principles and market movements.

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

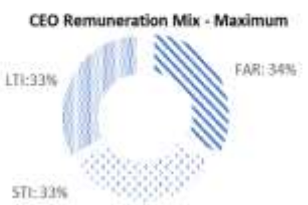
The charts below provide a summary of the structure of executive remuneration in FY21:

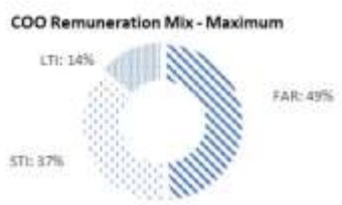
At-Target Mix

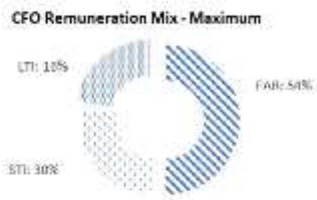




At-Maximum Mix







Fixed Annual Remuneration (FAR)

The strategic intent of FAR is to attract and retain executives with capability and experience to deliver on the Company's strategy. The FAR is set by taking into account market benchmark relativities of peer group ASX-listed companies, reflecting responsibilities, qualification, experience and effectiveness.

1.3 Executive Component and Pay Mix (continued)

Short Term Incentives (STI)

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

Item	Detail				
Award Opportunity	KMP	Target Opportunity	Maximum Opportunity		
	CEO	75% of FAR	100% of FAR		
	CFO	30% of FAR	55% of FAR		
	COO	50% of FAR	75% of FAR		
Performance Measures and Weightings		Objective	CEO	CFO	COO
	Financial	Achievement of Group Operating EBITDA target drives returns for our shareholders	70%	70%	70%
	Projects	Focus on delivery of annual strategic objectives to deliver our long-term strategy	12%	12%	12%
	People	Our people are our most important asset, we work together with respect and nurture a culture of recognition, empathy and inclusion to become a destination employer	12%	12%	12%
	Quality & Safety	Focus on operational excellence and safety as the platform for organic growth	6%	6%	6%
	The above objectives have been chosen in support of achievement of the Capitol Health vision, aspirations, values and the strategic pillars of our business. Stretch performance targets of up to an additional 25% of FAR have been set to focus the KMP on the Boards expectations in support of driving shareholder value.				
Delivery	The STI Award is delivered annually in cash however the CEO has the option of taking up to 100% of the STI in equity.				

Long Term Incentives (LTI)

The LTI plan for KMP is designed as a performance incentive to allow the company to attract and retain talent and operates under the Capitol Health Limited Employee Incentive Plan ("Plan") which was approved by shareholders at the annual general meeting held on 16 November 2015. It is directed for alignment with the long-term business strategy and shareholders experience. The vesting and granting of the LTI is subject to set service and performance KPI.

Item	Detail		
Award Opportunity	KMP	Opportunity	Delivery
	CEO	100% of FAR	Performance Rights
	CFO	1,000,000 (fixed)	Options
	COO	1,500,000 (fixed)	Options

1.3 Executive Component and Pay Mix (continued)

Long Term Incentives (LTI) (continued)

<table>
<tr><th>Item</th><th>Detail</th></tr>
<tr><td>Options</td><td>Under the Plan KMP are invited by the Board to participate.
An exercise price is set based upon the 20-day volume weighted average price immediately prior to execution of the agreement to participate.
Vesting conditions include remaining employed with the Company and any other Plan conditions as determined by the Board.
The vesting period commences upon the grant date of the options with 50% eligible at 24 months from grant date and 50% eligible at 36 months from grant date.
Expiry date of the options are 42 months from the grant date.</td></tr>
<tr><td>Performance Rights</td><td>Each Performance Right granted for no consideration is a right to acquire a share, subject to the satisfaction of Vesting conditions.
Performance rights are issued with a three-year performance period.
Tranche 1 (50%) and Tranche 2 (50%) of the Performance Rights will vest in accordance with the achievement of Total Shareholder Return (TSR) and Earnings per Share (EPS) growth for the relevant period respectively.
Ongoing employment is also a vesting condition but with Board discretion as to treatment including with "good leaver" provisions.
Other aspects of Performance Rights include treatments in the event of a variation in capital or divestment, change of control and matters involving fraud, dishonesty, gross misconduct or breach of obligations.
Subject to Board discretion and dealing restrictions.</td></tr>
<tr><td>Performance Measures and Calculation of Awards</td><td>The achievement of the Total Shareholder Return (TSR) target is determined by reference to the increase in Capitol Health Limited (ASX: CAJ) share price plus dividends reinvested over the Vesting Period compared to a comparator group of companies as determined by the Board.
The share price baseline for the TSR calculation will be calculated by reference to the volume weighted average price of Shares traded over the one month prior to the commencement of the Vesting Period.
<table>
<tr><th>TSR performance vs comparator group</th><th>% of Tranche 1 Performance Rights to vest</th></tr>
<tr><td><50th Percentile</td><td>No vesting</td></tr>
<tr><td>>=50th Percentile to 74th Percentile</td><td>Pro-rata straight line vesting between 50% and 74%</td></tr>
<tr><td>>=75th Percentile</td><td>100% vesting</td></tr>
</table>
Earnings Per Share (EPS) is determined by reference to the average growth in EPS over the three-year Performance Period.
EPS is calculated by taking the reported net profit after tax and dividing by the reported weighted average shares on issue during each year.
<table>
<tr><th>FY20 LTI</th><th></th></tr>
<tr><td>EPS growth</td><td>% of Tranche 2 Performance Rights to vest</td></tr>
<tr><td><10%</td><td>No vesting</td></tr>
<tr><td>=10%</td><td>25% vesting</td></tr>
<tr><td>>10% to 29%</td><td>Pro-rata straight line vesting between 10% and 29%</td></tr>
<tr><td>>=30% growth</td><td>100% vesting</td></tr>
</table>
The FY21 EPS LTI will exclude Enlitic's performance on the Group and Transaction costs are to be included in year 1 and 2 only, but not to be included in year 3.</td></tr>
</table>

1.3 Executive Component and Pay Mix (continued)
Long Term Incentives (LTI) (continued)

Item	Detail	
Performance Measures and Calculation of Awards (continued)	**FY21 LTI**	
	EPS growth	**% of Tranche 2 Performance Rights to vest**
	<10%	No vesting
	=10%	25% vesting
	>10% to 45%	Pro-rata straight line vesting between 10% and 45%
	>=45% growth	100% vesting
Plan	Under the Capitol Health Limited Employee Incentive Plan ("Plan") approved by shareholders the Board has the discretion to allow or prohibit automatic and full vesting on change of control. Employment agreements currently grant each current KMP automatic and full vesting on change of control for both Options and Performance Rights where relevant.	

1.4 Remuneration Governance

The Board established Nomination and Remuneration Committee has amongst its objectives, to assist in ensuring the Company has appropriate unbiased remuneration policies and practices including promotion of diversity to attract, retain and reward the Directors and the Chief Executive Officer who will pursue the Group's long-term growth and success.

The Nomination and Remuneration Committee of Capitol Health is also responsible for considering and making recommendations to the Board regarding the remuneration framework for Directors, Chief Executive Officer and any direct reports of the Chief Executive Officer.

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 for the Group.

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

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

2. Company Performance and Executive Remuneration Outcomes
2.1 Company Performance

The Group performed well for the financial year despite the disruption from normal operating conditions as a result of Covid-19 and government policy in response to this. A second major lockdown in our primary Victorian market from July 2020 to October 2020 created a difficult operating environment for both staff and patients. Management focussed on the allocation of staffing resources to meet patient demand and the ongoing control of operating costs. During FY21 the Company received JobKeeper funding of $5.8m net of payment of wage top-ups in line with government policy to retain our highly trained medical professionals and support staff whilst experiencing reduced demand for patient services.

2.1 Company Performance (continued)

Management achieved the acquisition of Direct Radiology on 1 February 2021 and delivered on the subsequent integration. In addition, the Management team focus on sustained market share growth started to gain traction, the national clinical governance framework was implemented, key appointments of Chief Medical Officer and Head of Growth were completed, employee value proposition was implemented, and new national telephony system commenced rollout to improve the patient and referrer experience.

Overall, the Group's operating revenue from continuing operations increased 15.7% over the preceding year, primarily as a result of organic growth, the current year acquisition of Direct Radiology, the prior year acquisition of Fowler Simmons Radiology, indexation of Medicare rebates, and new clinic openings. This was a good result despite multiple lockdowns from state governments in response to Covid-19. Operating EBITDA margin improved from 23.6% to 27.0% with a focus on operational cost savings.

The Group's Operating EBITDA increased overall from $36.4m in FY20 to $48.0m in FY21 after inclusion of JobKeeper funding to support retention of staff and reduced demand for services. Decisions associated with COVID-19 in FY20 also impacted cash flow activities during FY21 with the delayed payment of certain taxes arising from Covid-19 concessions provided by the ATO from FY20 to Q2 FY21, and delayed payment of the interim dividend for the period to 31 December 2019 of $3.9m to October 2020. Operating cash increased from $35.0m to $40.9m, on a like for like basis.

The Company paid dividends totalling 1.0 cent per share in respect of the FY21 year. This included an interim FY21 dividend of 0.5 cents in April 2021. A final FY21 dividend of 0.5 cents has been declared and will be paid in October 2021.

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

	Units	**2021**	**2020**	**2019***	**2018**	**2017**
Net Profit/(Loss) for the financial year	$'000	12,028	1,088	24,307	(10,913)	(4,684)
Dividends Paid	$'000	10,258	7,719	7,129	3,210	3,397
Share Price at beginning of the financial year	cents	24.5	23.0	26.0	16.0	76.5
Share Price at end of the financial year	cents	37.0	24.5	23.0	26.0	16.0
Change in Share Price	cents	12.5	1.5	(3.0)	10.0	(60.5)
Earnings Per Share (Basic)	cents	1.17	0.11	3.09	(1.36)	(0.90)

*restated to reflect adjustment made to certain amounts

2.2 Performance against STI measures

KMP of the Group are awarded STI payments or bonuses in accordance with their individual contracts. During the 2021 financial year the STI payments are dependent on the satisfaction of performance conditions that were chosen deliberately to align the targets and financial performance of the business with the Executives meeting those targets. Those performance conditions were aligned with the Group's short-term objectives and are also consistent with the long-term strategy of the Group with financial and operational targets.

FY21 continued to be a particularly challenging year due to the impact of COVID-19 to the business particularly as a large proportion of the Group's clinics are based in Victoria where Lockdown 2.0 extended from July 2020 until October 2020 and with two further circuit breaker lockdowns in February 2021 and June 2021.

There were also short circuit breaker lockdowns in South Australia and Western Australia impacting communities and our business. Despite these significant challenges, Capitol Health ended the financial year, exceeding the financial targets set some 12 months earlier. Additionally, the business, continued to provide referrers and the community with a high level of service quality and it also made significant progress in the development and promotion of a strong and positive culture.

Achievement of the relevant performance conditions were assessed objectively by the Nominations and Remuneration Committee and Managing Director. STI payments are either payments made during the year or at the end of the financial year are accrued, approved or specifically allocated to the individual.

Mr Walter (CEO) achieved STI of $525,000 in respect of his performance during the 2021 financial year as performance hurdles were met. In addition, Mr Bremner (CFO) and Mr Hughes (COO) achieved STI payments of $70,000 and $200,000 respectively for the 2021 financial year. Management were entitled to an additional 10% of FAR for outperformance of FY21 STI, but elected to forgo any payment in respect of this.

2.2 Performance against LTI measures (continued)

Long-term incentives ("LTI") may be provided to KMP via the Capitol Health Limited Employee Incentive Plan ("Plan") which was approved by shareholders at the annual general meeting held on 16 November 2015.

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

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

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

2021 Financial Year

- 2,966,102 Performance rights were issued to Mr J Walter on 17 November 2020. The Performance rights have a three-year performance period from 1 July 2020 to 30 June 2023. Tranche 1 (50%) and Tranche 2 (50%) of the Performance Rights will vest in accordance with the achievement of Total Shareholder Return (TSR) and Earnings per Share (EPS) growth for the relevant period respectively. Total valuation on grant date of $480,509 with Tranche 1 valued at $0.084 and Tranche 2 at $0.240 per performance right.
- 1,500,000 options were issued to Mr G Hughes on 17 July 2020. Tranche 1 (50%) of the options with an expiry date of 17 January 2024 are exercisable at $0.2351 upon satisfying 24 months of continuous service from the grant date. Tranche 2 (50%) of the options with an expiry date of 17 January 2024 are exercisable at $0.2351 upon satisfying 36 months of continuous service from the grant date. Total valuation on grant date of $112,981.
- 1,000,000 options were issued to Mr C Bremner on 9 November 2020. Tranche 1 (50%) of the options with an expiry date of 9 May 2024 are exercisable at $0.2489 upon satisfying 24 months of continuous service from the grant date. Tranche 2 (50%) of the options with an expiry date of 9 May 2024 are exercisable at $0.2489 upon satisfying 36 months of continuous service from the grant date. Total valuation on grant date of $103,616.
- 1,500,000 options issued to Ms M Judkins at an exercise price of $0.2351 on 17 July 2020 forfeited following her resignation on 6 October 2020. In addition, a further 1,000,000 options issued to Ms Judkins in FY19 also lapsed on her resignation.

2020 Financial Year

- 2,385,280 Performance rights were issued to Mr J Walter on 19 November 2019. The Performance rights have a three-year performance period from 1 July 2019 to 30 June 2022. Tranche 1 (50%) and Tranche 2 (50%) of the Performance Rights will vest in accordance with the achievement of Total Shareholder Return (TSR) and Earnings per Share (EPS) growth for the relevant period respectively. Total valuation on grant date of $433,882 with Tranche 1 valued at $0.151 and Tranche 2 at $0.213 per performance right.

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

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

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

2.3 Remuneration Decisions and Outcomes for FY21

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

	Short-Term				Post-Employ	Long-term	Share-Based			
Key Manager Name/Financial Year	Salary & Fees $	STI Cash Bonus [#1] $	Other Benefits [#2] $	Termination Benefits $	Super-annuation Benefits $	Long Service Leave $	Options & Performance Rights $	Total $	Perform-ance Related %	Share-Based Share of Total %
2021										
Executive Director										
Mr J Walter	673,215	525,000	18,905	-	25,000	24,407	254,421	1,520,948	51.2%	16.7%
Senior Executives										
Mr G Hughes[#3]	368,121	200,000	30,167	-	21,694	6,941	44,882	671,805	36.5%	6.7%
Mr C Bremner[#4]	202,034	70,000	19,230	-	14,445	3,809	27,561	337,079	35.6%	8.2%
Ms M Judkins[#5]	110,709	-	21,449	262,073	11,864	(2,050)	(43,163)	360,882	-12.0%	-12.0%
	1,354,079	**795,000**	**89,751**	**262,073**	**73,003**	**33,107**	**283,701**	**2,890,714**	37.3%	9.8%
2020										
Executive Director										
Mr J Walter[#6, #7]	592,028	525,000	45,312	-	24,519	2,297	92,827	1,281,983	48.2%	7.2%
Senior Executives										
Ms M Judkins[#7]	328,474	212,460	32,436	-	25,000	2,050	25,152	625,572	38.0%	4.0%
Total	**920,502**	**737,460**	**77,748**	**-**	**49,519**	**4,347**	**117,979**	**1,907,555**	44.8%	6.2%

#1 STI bonuses is remuneration paid or accrued at the end of the financial year and specifically allocated to the individual.
#2 Other benefits comprise the increase in annual leave entitlement over the financial year and any reportable fringe benefits received during the financial year.
#3 Mr G Hughes commenced as COO on 1 July 2020.
#4 Mr C Bremner commenced as CFO on 9 November 2020.
#5 Ms M Judkins commenced as CFO on 29 January 2019 and resigned from the Group 6 October 2020 and all options granted were forfeited on that date.
#6 Mr J Walter commenced as CEO 1 July 2019.
#7 In response to Covid-19 the KMP forewent 50% of their salaries in April and May 2020.

2.4 Actual Remuneration Paid to Executives in FY21

The actual remuneration of KMP for FY21 are set out in the table below. This provides shareholders with a view of the remuneration actually paid to executives for performance in FY21 and the value of LTI's that vested during the period. STI is the amounts paid during FY21, relating to FY20.

	Fixed Remuneration[1] $	Termination Payments $	STI $	LTI Vested $	Total Actual Remuneration Earned $
Mr J Walter	673,215	-	525,000	-	1,198,215
Mr G Hughes	368,121	-	-	-	368,121
Mr C Bremner	202,034	-	-	-	202,034
Ms M Judkins	110,709	262,073	150,000	-	522,782

1) Base salary, superannuation and other non-monetary benefits

3 Non-Executive Director Remuneration

3.1 Overview of Non-Executive Director Remuneration

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

3.2 Non-Executive Director Remuneration Outcomes

The maximum remuneration for Non-Executive Directors is determined by resolution of shareholders. At the 2020 Annual General Meeting, shareholders approved a maximum aggregate remuneration of $750,000 per annum for Non-Executive Directors for the financial years from and for the year commencing 1 July 2020. A total of $500,000 was paid in Non-Executive Director fees in 2021.

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

The Chair of the Board attends all committee meetings and receives an additional committee fee as the Chair of the Remuneration Committee in addition to the base fee as Chair of the Board. The fees for FY21 are shown below:

Board Fees	**Chair**	**Member**
Base fee	$250,000	$110,000
Board Committee Fees	**Chair**	**Member**
Audit and Risk	$15,000	-
Remuneration	$15,000	-

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

There was no increase in either the Board or Committee fees during FY21.

3.3 Non-Executive Director Shareholdings

Ordinary shares

Non-Executive Director	Shares held at 1 July	Acquired during the year	Sold during the year	Held at appointment/ resignation	Shares held at 30 June
2021					
Mr A Demetriou	200,000	-	-	-	200,000
Mr R Loveridge	656,364	-	-	-	656,364
2020					
Mr A Demetriou	200,000	-	-	-	200,000
Mr R Loveridge	554,271	102,093	-	-	656,364
Mr A Harrison[1)]	7,069,923	102,092	(1,600,000)	5,572,015	n/a

Performance rights

Non-Executive Director	Performance Rights held at 1 July	Granted	Forfeited	Held at appointment/ resignation	Performance Rights held at 30 June
2020					
Mr A Harrison[1)]	3,439,827	-	(1,744,765)	1,695,062	n/a

[1)]Mr Harrison resigned as a Non-Executive Director on 25 May 2020

3.4 Non-Executive Director Remuneration

Non- Executive Directors	Board & Committee Fees $	Superannuation $	Transition Fee $	Total $
2021				
Mr A Demetriou	265,000	-	-	265,000
Ms N Sheffield	100,457	9,543	-	110,000
Mr R Loveridge	114,155	10,845	-	125,000
	479,612	**20,388**	**-**	**500,000**
2020				
Mr A Demetriou[1)]	238,750	-	-	238,750
Ms N Sheffield[1)]	91,061	551	-	91,612
Mr R Loveridge[1)]	93,783	8,909	-	102,692
Mr A Harrison[2)]	-	13,329	715,096	728,425
	423,594	**22,789**	**715,096**	**1,161,479**

1) In response to Covid-19 the KMP forewent 50% of their salaries in April and May 2020.

2) Mr Harrison waived his director fees for FY20 following his transition from Managing Director to Non-Executive Director on 1 July 2019. He received a MD Transition Fee following the change in role from Managing Director to Non-Executive Director for his services delivered in FY20.

4. Additional Disclosures

4.1 KMP Shareholdings

Ordinary Shareholdings

No ordinary shares were held by KMP during the year ended 30 June 2021 (30 June 2020: nil).

Performance Rights

KMP	Performance Rights held at 1 July	Granted	Forfeited	Held at appointment/ resignation	Performance Rights held at 30 June
2021					
Mr J Walter	2,385,280	2,966,102	-	-	5,351,382
2020					
Mr J Walter[1)]	-	2,385,280	-	-	2,385,280

1) Mr Walter was appointed CEO on 1 July 2019

Options

KMP	Options held at 1 July	Granted	Forfeited	Held at appointment/ resignation	Options held at 30 June
2021					
Mr G Hughes[2)]	-	1,500,000	-	-	1,500,000
Mr C Bremner[3)]	-	1,000,000	-	-	1,000,000
Ms M Judkins[4)]	1,000,000	1,500,000	(2,500,000)	-	-
2020					
Ms M Judkins	1,000,000	-	-	-	1,000,000

2) Mr G Hughes was appointed 1 July 2020

3) Mr C Bremner was appointed on 9 November 2020

4) Ms M Judkins resigned on 6 October 2020

4.2 Executive Service Agreements

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

Name	Term of Agreement	Notice Period Provided by Company	Notice Period Provided by Executive
Mr J Walter	Ongoing	6 months	6 months
Mr G Hughes	Ongoing	6 months	6 months
Mr C Bremner	Ongoing	3 months	3 months
Ms M Judkins[1)]	Ongoing	6 months	6 months

[1)]Ms M Judkins resigned on 6 October 2020

4.2.1 Managing Director & Chief Executive Officer

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

- FAR of $700,000 per annum (inclusive of superannuation)
- Maximum STI of 100% of FAR subject to achievement of agreed key performance indicators aligned with shareholders' interests (increased from 75% during FY21 by contract variation in October 2020)
- Eligibility to participate in LTI up to 100% of FAR in the form of performance rights vesting after 3 years subject to achievement of appropriate service and performance hurdles and to receiving appropriate shareholder support

4.3 Share Trading and Hedge Prohibition

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

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

4.4 Clawback Policy

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

4.5 Other Transactions and Balances with KMP and their Related Parties

During the financial year Mr Walter's spouse was engaged on commercial terms as a contractor within the business to provide specialist diagnostic technician services. The total amount payable for FY21 is $29,600 (2020: less than $2,000). There were no other transactions with Key Management Personnel or their related parties within the Group during the year.

No loans have been made to KMP during the 2021 financial year.

This is the end of the audited Remuneration Report.

Corporate Governance

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

Signed in accordance with a resolution of the Directors:

Justin Walter
Managing Director and Chief Executive Officer
Melbourne, Victoria
25 August 2021

Deloitte.

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25 August 2021

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

Dear Board Members

Auditor's Independence Declaration to Capitol Health Limited

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

As lead audit partner for the audit of the financial statements of Capitol Health Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke du Toit
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2021

	Notes	2021 $000	2020 $000
Continuing Operations			
Revenue	5	177,996	153,791
Wages, contractor costs and salaries	6.1	(102,009)	(91,729)
Occupancy costs		(4,988)	(4,318)
Medical equipment and consumable supplies		(10,036)	(8,901)
Service costs		(12,940)	(12,485)
Transaction and restructure costs		(1,266)	(3,053)
Unrealised foreign exchange gain/(loss)	7	(1,882)	343
Impairment of financial assets	7	(734)	(1,619)
Financial liabilities' movement in fair value	19	74	-
Profit before Depreciation and Amortisation, Finance Costs, and Income Tax		**44,215**	**32,029**
Depreciation and amortisation	6.2	(21,396)	(26,025)
Profit before Finance Costs and Income Tax		**22,819**	**6,004**
Net finance costs	8	(3,378)	(3,841)
Profit before Income Tax		**19,441**	**2,163**
Income tax expense	9	(7,413)	(1,075)
Profit for the Year		**12,028**	**1,088**
Attributable to:			
Equity holders of Capitol Health Limited		11,919	865
Non-controlling interests		109	223
Profit for the Year		**12,028**	**1,088**
Basic Earnings per share (cents)	24	**1.17**	0.11
Diluted Earnings per share (cents)	24	**1.13**	0.10
Other Comprehensive Income			
Profit for the year		**12,028**	**1,088**
Net gain/(loss) on interest rate derivative net of income tax		53	(44)
Other comprehensive income/(loss), net of income tax		**53**	**(44)**
Total Comprehensive Income for the year		**12,081**	**1,044**
Attributable to:			
Equity holders of the Capitol Health Limited		11,972	821
Non-controlling interests		109	223
Total Comprehensive Income for the year		**12,081**	**1,044**

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

Consolidated Statement of Financial Position
As at 30 June 2021

	Notes	2021 $000	2020 $000
Assets			
Cash and cash equivalents	10	21,749	13,763
Trade and other receivables	11	5,582	5,493
Other financial assets	12	169	277
Other assets		787	767
Total Current Assets		**28,287**	**20,300**
Plant and equipment	13	41,075	40,820
Right-of-use assets	17.2	59,011	54,729
Intangible assets	14	126,035	117,949
Other financial assets	12	19,522	22,138
Other receivables		180	630
Deferred tax asset	9.3	5,650	5,741
Total Non-Current Assets		**251,473**	**242,007**
Total Assets		**279,760**	**262,307**
Liabilities			
Trade and other payables	15	13,606	16,967
Lease liabilities	17	9,782	9,640
Employee benefit liabilities	20	12,239	10,828
Income tax liability		1,973	2,751
Total Current Liabilities		**37,600**	**40,186**
Borrowings	16	29,000	17,000
Lease liabilities	17	55,284	52,702
Other financial liability	18	5,081	3,698
Provisions	19	2,455	1,340
Employee benefit liabilities	20	781	852
Deferred tax liability	9.3	3,531	2,490
Total Non-Current Liabilities		**96,132**	**78,082**
Total Liabilities		**133,732**	**118,268**
Net Assets		**146,028**	**144,039**
Equity			
Issued capital	21	148,631	145,776
Reserves	22	98	2,694
Accumulated losses		(2,993)	(4,654)
Equity Attributable to Owners of Capitol Health Ltd		**145,736**	**143,816**
Non-controlling Interests		292	223
Total Equity		**146,028**	**144,039**

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2021

	Notes	2021 $000	2020 $000
Operating Activities			
Receipts from customers		178,092	155,044
Payments to suppliers and employees		(126,380)	(117,456)
Interest received		13	26
Interest and other finance charges on borrowings		(1,405)	(1,895)
Interest on lease liabilities	17	(1,985)	(1,968)
Income tax (paid)/refunded		(7,444)	1,258
Net cash flows from operating activities	35	**40,891**	**35,009**
Investing Activities			
Purchase of plant and equipment		(7,642)	(12,165)
Payments for business acquisitions, divestment, investments, including transaction costs		(13,702)	(20,680)
Net cash flows used in investing activities		**(21,344)**	**(32,845)**
Financing Activities			
Net proceeds on issue of share capital	21	-	38,501
Payments in respect of share buy-back and costs	21	-	(357)
Proceeds on exercise of options	21	393	-
Proceeds/(repayment) of secured loans		12,000	(21,750)
Payment of dividends	23	(14,135)	(3,842)
Payment of dividends to non-controlling interests		(118)	-
Cash payment of lease liabilities	17	(9,701)	(8,283)
Net cash flows from financing activities		**(11,561)**	**4,269**
Net increase in cash and cash equivalents		**7,986**	**6,433**
Cash and cash equivalents at beginning of the year		13,763	7,330
Cash and cash equivalents at end of the year	10	**21,749**	**13,763**

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

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2021

	Issued Capital $000	Reserves $000	Accumulated profit/ (losses) $000	Total $000	Non-controlling Interests $000	Total Equity $000
Balance at 1 July 2020	**145,776**	**2,694**	**(4,654)**	**143,816**	**223**	**144,039**
Profit for the year	-	-	11,919	11,919	109	12,028
Other Comprehensive Income for the year	-	53	-	53	-	53
Total Comprehensive Income	**-**	**53**	**11,919**	**11,972**	**109**	**12,081**
Transactions with Equity Holders						
Put option on acquisition	-	(1,457)	-	(1,457)	-	(1,457)
Exercise of options	393	-	-	393	-	393
Share issue costs (net of tax)	(94)	-	-	(94)	-	(94)
Conversion of issued options/rights	486	(486)	-	-	-	-
Shares released from Escrow	2,070	(2,070)	-	-	-	-
Shares transferred to third parties	-	-	-	-	78	78
Allocation of share-based employee costs	-	1,364	-	1,364	-	1,364
Dividend paid	-	-	(10,258)	(10,258)	(118)	(10,376)
Total Transactions with Equity Holders	**2,855**	**(2,649)**	**(10,258)**	**(10,052)**	**(40)**	**(10,092)**
Balance at 30 June 2021	**148,631**	**98**	**(2,993)**	**145,736**	**292**	**146,028**
Balance at 1 July 2019	**107,632**	**1,374**	**2,200**	**111,206**	**-**	**111,206**
Profit for the year	-	-	865	865	223	1,088
Other Comprehensive Loss for the year	-	(44)	-	(44)	-	(44)
Total Comprehensive Income/(Loss)	**-**	**(44)**	**865**	**821**	**223**	**1,044**
Transactions with Equity Holders						
Share buy-back and costs	(357)	-	-	(357)	-	(357)
Share placement (net of costs)	38,501	-	-	38,501	-	38,501
Allocation of issued options	-	724	-	724	-	724
Share-based payment	-	398	-	398	-	398
Fair value shares issued on acquisition	-	2,070	-	2,070	-	2,070
Put option on acquisition	-	(1,828)	-	(1,828)	-	(1,828)
Dividend paid	-	-	(7,719)	(7,719)	-	(7,719)
Total Transactions with Equity Holders	**38,144**	**1,364**	**(7,719)**	**31,789**	**-**	**31,789**
Balance at 30 June 2020	**145,776**	**2,694**	**(4,654)**	**143,816**	**223**	**144,039**

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

1. General Information

1.1 Reporting Entity

Capitol Health Limited (the "Company" or "Capitol Health") is a company limited by shares which are publicly traded on the Australian Securities Exchange. The consolidated financial report of the Company for the year ended 30 June 2021 comprises the Company and its subsidiaries (together referred to as the Group).

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

Information on the Group's structure is provided in Note 28. Information on other related party relationships of the Group is provided in Note 33.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 25 August 2021.

1.2 Going Concern

The financial statements have been prepared on a going concern basis. For the year ended 30 June 2021, the consolidated entity made a net profit after tax of $12.0 million (30 June 2020: $1.1 million) and had net current liabilities of $9.3 million (30 June 2020: $19.9 million).

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

a) the consolidated entity has sufficient working capital to enable it to meet its objectives and financial obligations. Net available funding available through its secured banking facilities totals $110.8 million.

b) the consolidated entity generated net operating cash inflow for the year ended 30 June 2021 of $40.9 million (30 June 2020: $35.0 million).

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

2. Significant Accounting Policies

2.1 Basis of Preparation

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

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

The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

2.2 Functional Currency

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

2.3 Rounding

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

2.4 Comparative Information

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

2.5 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Capitol Health Limited and its subsidiaries as at 30 June 2021 and the results of all subsidiaries for the year then ended. Subsidiaries are all those investees over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and could affect those returns through its power to direct the relevant activities of the investee.

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

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

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

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

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

2.6 Summary of Significant Accounting Policies

2.6.1 Business Combinations and Goodwill

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

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

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

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

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

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

2.6.2 Investment in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investment in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

2.6.2 Investment in Associates and Joint Ventures (continued)

The statement of profit or loss reflects the Group's share of the results of operations of all associates or joint ventures. Any change in Other Comprehensive Income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and it's carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.6.3 Current and Non-current Classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is either:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

Or

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

All other liabilities are classified as non-current.

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

2.6.4 Fair Value Measurement

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

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

► In the principal market for the asset or liability

Or

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

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

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

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

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

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

► Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities the entity can access at the measurement date

► Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

► Level 3 — Inputs are unobservable inputs for the asset or liability

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

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

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

► Disclosures for valuation methods, significant estimates and assumptions Notes 3, 14, and 27

► Quantitative disclosures of fair value measurement hierarchy Note 27

► Investment in non-listed equity shares Note 12 and Note 25

► Financial instruments (including those carried at amortised cost) Note 27

2.6.5 Revenue

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

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

2.6.6 Taxes

Current income tax

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

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2.6.6 Taxes (continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it reflects new information obtained about facts and circumstances that exist at the acquisition date that, if known, would have affected the amount recognised at that date or where recognised during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and its wholly owned Australian controlled entities are part of a tax-consolidated entity.

Capitol Health Limited (the “head entity”) and its wholly owned subsidiaries have formed an income tax-consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax-consolidated Group continue to account for their own current and deferred tax amounts.

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in Note 9.

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

Goods and services tax (GST)

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

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

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

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

2.6.7 Foreign Currencies

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Group companies

The revenue and expenses of foreign operations are translated in Australian dollars using the average exchange rate for the reporting period. All resulting foreign exchange differences are recognised in Other Comprehensive Income through the currency translation reserve.

2.6.8 Cash Dividend

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

2.6.9 Plant and Equipment

Recognition and Measurement

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 3).

Depreciation

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

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

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

Assets under construction

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

2.6.10 Leases

From 1 July 2019

Group as a lessee

The Group adopted AASB 16 Leases with effect from 1 July 2019 electing to use the modified retrospective approach on implementation where the right-of-use asset was deemed to be equivalent to the liability at transition with the cumulative impact of application recognised as at 1 July 2019.

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Refer note 17.

Group as a lessor

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

2.6.11 Borrowing costs

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

2.6.12 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Goodwill

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

Goodwill is not amortised but is instead measured at cost less accumulated impairment losses, if any. Goodwill is subject to an annual impairment test or more frequently if events or changes in circumstances indicate that it might be impaired and is reviewed at each reporting date for any triggers of impairment.

Other intangible assets

Other intangible assets such as referrer relationships and brand names are recognised on acquisition, where applicable. Referrer relationships are stated at cost less accumulated depreciation. Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful life of eight years for referrer relationships. Brand names are assessed as having an indefinite life and no amortisation is recognised. Brand names are subject to an annual impairment test.

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

2.6.13 Financial Instruments – Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets and liabilities

Initial recognition, measurement and de-recognition

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Financial assets except trade receivables, are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group's financial assets include cash, trade receivables and other financial assets.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts. The Group does not have any derivative financial instruments other than as noted in Note 27.2.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when the obligation under the liability is extinguished, discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Classification and subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost, and where applicable, are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash, trade receivables and rental bonds held to maturity.

2.6.13 Financial Instruments (Continued)

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

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

The Group's investment in Enlitic has been treated as a financial asset at fair value through profit or loss.

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

Classification and subsequent measurement of financial liabilities
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 16. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the (EIR). The EIR amortisation is included as finance costs in the statement of profit or loss.

2.6.13 Financial Instruments (Continued)

ii) Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Trade receivables Note 11

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. The ECL is measured through a loss allowance at an amount equal to:

- 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

iii) Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position, if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the labilities simultaneously.

2.6.14 Derivative Financial Instruments

Initial recognition and subsequent measurement

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

When applicable, such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

2.6.15 Impairment of Non-Financial Assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

► Disclosures for significant assumptions Note 3
► Plant and equipment Note 13
► Intangible assets Note 14
► Goodwill and intangible assets with indefinite lives Note 25

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets for the following years, which are prepared separately for the Group's CGUs to which the individual assets are allocated. These budgets calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is reviewed at half-year for any circumstances that indicate that the carrying value may be impaired. It is also tested for impairment annually in June.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.6.16 Cash and Short-Term Deposits

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management. Currently the Group has no short-term deposits on hand.

2.6.17 Treasury Shares

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

2.6.18 Provisions

General

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

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

Long Service Leave and Annual Leave

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

Contingent Liabilities Recognised in a Business Combination

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

2.6.19 Share-Based Payments

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 26.

That cost is recognised in employee benefits expense (Note 6.1), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

2.6.19 Share-Based Payments (continued)

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 24).

2.6.20 Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached obligations will be complied with. The Group has elected to present grants related to an expense item to be deducted over the periods which the related costs for which it is intended to compensate are expensed. The Group was eligible for the JobKeeper assistance programme until 30 September 2020 and has received a total net of top up payments of $5.8m to 30 June 2021 (FY20: $4.6m). This balance has been recorded as an offset against employee expenses in the Statement of Profit and Loss and Other Comprehensive Income.

2.7 Changes in Accounting Policies and Disclosures

2.7.1 New Accounting Standards and Interpretations Applied for the Current Year

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

2.7.2 Standards Issued but not yet Adopted

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

- IFRS 17 Insurance Contracts (effective 1 January 2023)
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective 1 January 2022)
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current (effective 1 January 2022)
- Amendments to IFRS 3 Reference to the Conceptual Framework Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use (effective 1 January 2022)
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract (effective 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture (effective 1 January 2022)

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

3. 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 of revenue, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Estimates and underlying assumptions are reviewed on an ongoing basis. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. 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.

Estimates and judgements are based on historical experience and other factors including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

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) Impairment of Goodwill and other intangibles

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.

(ii) Other Financial Assets

The Group's investment in Enlitic Inc (Enlitic) has been treated as an investment in an unlisted entity and valued at fair value through the profit or loss under AASB 9 as it has been assessed by management that the Group does not have significant influence over the operations of Enlitic. The value of the Group's investment in Enlitic at 30 June 2021, has been set at fair market value based on an independent expert valuation report. The fair value assessed at 30 June 2021 may be impacted by subsequent events that could have a material impact on this valuation.

(iii) Provision for Expected Credit Losses (ECL)

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due by for groupings by customer type that have similar loss patterns (i.e. bulk bill, third party and private patients).

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate and based on management judgement. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions and included a review of the assessment of the expected impact of Covid-19 on expected loss rates from prior year. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 11.

(iv) Provision for Long Service Leave

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

(v) Estimation of Useful Lives of Assets

The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties, lease terms and turnover policies. In addition, the condition of the assets is assessed annually and considered against remaining useful life based on market and industry conditions. As conditions change in the radiology market, the Group adjusts the useful lives of their assets to reflect these changes. The residual values, useful lives and methods of depreciation of equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3. Significant Accounting Estimates, Assumptions and Judgements (continued)

(vi) 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.

(vii) Share-Based Payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model for Senior Executive Plan (SEP). The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 26.

(viii) Business Model Assessment

Classification and measurement of financial assets depends on the results of the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(ix) Fair Value *Measurement and Valuation Process of Financial Assets*

Financial instruments are carried at fair value in the consolidated statement of financial position. The best evidence of fair value is quoted prices in an active market. If the market for financial instrument is not active, we determine fair value based on present value estimates or other market accepted valuation techniques. The selection of appropriate valuation techniques, methodologies and inputs require judgement. The details of fair value of financial instruments and measurements are included in Note 27.

(x) Lease Term and Incremental Borrowing Rate

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgment is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will note be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations, comparison of items and conditions to a prevailing market rate, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asse. The Group reassesses whether it is reasonably certain to exercise an extension option or not exercise a termination option, if there is a significant event of significant change in circumstances.

Under AASB 16 *Leases* the determination of the life of the lease generally recognises, where extension lease options exist, the life of the lease in addition to one extension lease option.

The detailed information about the significant judgements is included in the following notes:

- estimation of Goodwill Impairment at Note 2.6.15 and Note 25
- recognition of lease extension options at Note 17.3).

3. Significant Accounting Estimates, Assumptions and Judgements (continued)

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset with similar terms, security and economic environment.

(xi) Coronavirus (Covid-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (Covid-19) pandemic had or may have on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (Covid-19) pandemic.

4. Capital Management

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

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels.

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

In addition, as part of its on-going capital management program, Capitol Health operates an on-market share buy-back arrangement that was first announced on 18 August 2017 and in August 2020 was extended to 4 September 2021. At that time, the maximum number of shares able to be bought back by the Company was increased to 52,515,675 within the ‘10/12 limit’. While not utilised during FY21 the buy-back scheme remains important to the Group to maintain the maximum amount of flexibility regarding its capital management strategies to enhance value for shareholders and at 30 June 2021 it has the ability to buy-back 52,515,675 ordinary shares under that authority.

The Group's Loans and Other Financial Liabilities with relevant capital covenant requirements are detailed in Note 16.

5. Revenue

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

	2021 $000	2020 $000
Major service category		
Diagnostic imaging services	177,916	153,607
Other operating revenue	80	184
Total Revenue	**177,996**	**153,791**

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

6. Other Income and Operating Expenses

6.1 Salaries and employee benefits expenses

	2021 $000	2020 $000
Wages, contractor costs and salaries[1)]	(87,497)	(78,557)
Superannuation expenses	(5,337)	(5,571)
Employee leave entitlements	(7,811)	(6,877)
Share-based employment expense	(1,364)	(724)
	(102,009)	**(91,729)**

[1)] Gross JobKeeper government assistance received of $6.6m (2020: $5.6m) has been recorded as an offset to Wages, contractor costs and salaries

6.2 Depreciation and amortisation

		2021 $000	2020 $000
Depreciation[1)]	13	(10,395)	(16,211)
Amortisation of right-of-use assets	17	(9,289)	(8,550)
Amortisation of intangible assets	14	(1,213)	(728)
Other amortisation		(499)	(536)
		(21,396)	**(26,025)**

[1)] The useful life of certain assets was reassessed in 2020 resulting in a $5.9m increase to depreciation.

7. Non-operating expense

7.1 Unrealised foreign exchange gain/(loss)

		2021 $000	2020 $000
Unrealised foreign exchange gain/(loss)	12	(1,882)	343
		(1,882)	343

7.2 Impairment charge

		2021 $000	2020 $000
Unlisted investments	12	(734)	(1,619)
		(734)	**(1,619)**

8. Net Finance Costs

	2021 $000	2020 $000
Interest income	13	26
Interest on borrowings	(1,277)	(1,640)
Establishment fee	(103)	(90)
Interest rate swap	(26)	(155)
Lease interest	(1,985)	(1,968)
Other interest	-	(14)
	(3,378)	**(3,841)**

9. Income Tax

9.1 Income tax expense

	2021 $000	2020 $000
The major components of income tax expense are:		
Current income tax expense	(6,314)	(2,421)
Deferred income tax expense	(1,111)	1,346
Current income tax benefit - prior year	12	-
Income tax expense reported in the statement of profit or loss	**(7,413)**	**(1,075)**

9.2 Reconciliation of income tax expense

Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic tax rate:

	2021 $000	2020 $000
Accounting profit before income tax from:		
Continuing Operations	19,441	2,163
Prima facie income tax expense at 30% (2020: 30%)	(5,832)	(649)
Tax effect of permanent differences:		
Net capital costs	(124)	(44)
Non-assessable income	-	178
Impairment of unlisted investments	(785)	(486)
Valuation of share options granted	(410)	(217)
Other items	(262)	143
Income tax expense reported in statement of profit or loss	**(7,413)**	**(1,075)**
Income tax expense attributable to profit from:		
Continuing Operations	(7,413)	(1,075)
	(7,413)	**(1,075)**

9.3 Deferred tax assets and liabilities

	2021 Items at pre-tax $000	2021 Items at post-tax $000	2020 Items at pre-tax $000	2020 Items at post-tax $000
Deferred tax assets:				
Employee benefits	13,183	3,955	11,508	3,452
Other assets	290	87	1,102	331
Leases	211	63	128	38
Make good provision	722	217	525	157
Tax losses of subsidiary	145	43	-	-
Accrued expenses and other items	4,284	1,285	5,875	1,763
	18,835	**5,650**	**19,138**	**5,741**
Deferred tax liabilities:				
Intangible assets	(6,036)	(1,811)	(5,990)	(1,797)
Plant and equipment	(5,314)	(1,594)	-	-
Prepayments	(73)	(22)	(201)	(60)
Leases	(3)	(1)	(1,342)	(403)
Other Items	(343)	(103)	(766)	(230)
	(11,769)	**(3,531)**	**(8,299)**	**(2,490)**

9.3 Deferred tax assets and liabilities (continued)

	2021 $000	2020 $000
Net deferred tax asset	2,119	3,251
Movement represented by:		
Recognised in Profit or Loss	2,403	3,619
Recognised in Equity	-	524
Recognised in Business Acquisitions	(284)	(892)
	2,119	**3,251**

9.4 Unrecognised temporary differences

The Group has no unrecognised temporary differences at 30 June 2021 (2020: Nil).

9.5 Tax losses

The Group has no carried forward operating losses at 30 June 2021 (2020: Nil).

The Group had carried forward capital losses of $18,897,000 (2020: $18,897,000). A deferred tax asset was not recognised for the loss.

The capital losses are expected to be available to offset against future capital gains subject to the Group continuing to meet statutory tests.

9.6 Tax consolidation

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

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

10. Cash and Cash Equivalents

	2021 $000	2020 $000
Cash on hand	16	17
Cash at bank	21,733	13,746
	21,749	**13,763**

11. Trade and Other Receivables

	2021 $000	2020 $000
Trade receivables	3,295	2,336
Allowance for expected credit loss	(159)	(155)
	3,136	2,181
Other receivables[1)]	2,446	3,312
	5,582	**5,493**

[1)] Other receivables in 2020 included $1.8m receivable in respect of JobKeeper assistance programme payments received in July 2020.

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. The movement in the allowance for credit losses can be reconciled as follows:

	2021 $000	2020 $000
Reconciliation of allowance for expected credit losses		
Balance 1 July	155	115
Provision acquired	-	40
Amounts written off	(38)	
Provision for impairment recognised	42	-
	159	**155**

12. Other Financial Assets

	2021 $000	2020 $000
Current		
Rental bonds – held to maturity	**169**	**277**
Non-current		
Investment in unlisted entity	**19,522**	**22,138**
Movement in Investment in unlisted entity		
Fair value – opening balance	22,138	20,408
Investment during the year	-	3,006
Unrealised foreign exchange gain/(loss)	(1,882)	343
Impairment charge	(734)	(1,619)
Fair value – closing balance	**19,522**	**22,138**

The investment in Enlitic LLP, an unlisted entity, is a level 3 financial asset as defined in 2.6.4 Fair Value Measurement. It was valued at 30 June 2021 by an independent valuer.

13. Plant and Equipment

Details of the Group's plant and equipment and their carrying amount are as follows:

	Leasehold Improve-ments $000	Plant & Equipment $000	Other Operating Assets $000	Assets Under Construction (AUC) $000	Total $000
At 1 July 2020					
Net of accumulated depreciation	9,593	26,362	1,903	2,962	40,820
Additions	-	-		8,444	8,444
Reallocation-from AUC to fixed assets	2,137	7,399	657	(10,193)	-
Reallocation-from AUC to PL			-	(379)	(379)
Acquired on acquisition	1,463	1,583	341	-	3,387
Disposals			(802)	-	(802)
Depreciation for period	(1,387)	(8,363)	(645)	-	(10,395)
At 30 June 2021					
Net of accumulated depreciation	**11,806**	**26,981**	**1,454**	**834**	**41,075**
At 30 June 2021					
Cost value	16,169	50,826	2,304	834	70,133
Accumulated depreciation	(4,363)	(23,845)	(850)	-	(29,058)
Total	**11,806**	**26,981**	**1,454**	**834**	**41,075**

	Leasehold Improve-ments $000	Plant & Equipment $000	Other Operating Assets $000	Assets Under Construction (AUC) $000	Total $000
At 1 July 2019					
Net of accumulated depreciation	9,668	30,857	875	1,144	42,544
Additions	-	-	-	12,165	12,165
Reallocation-from AUC to fixed assets	3,134	5,457	1,650	(10,241)	-
Reallocation-from AUC to PL	-	-	-	(106)	(106)
Disposals	-	-	(17)	-	(17)
Acquired on acquisition	160	2,122	163	-	2,445
Depreciation for period	(3,369)	(12,074)	(768)	-	(16,211)
At 30 June 2020					
Net of accumulated depreciation	**9,593**	**26,362**	**1,903**	**2,962**	**40,820**
At 30 June 2020					
Cost value	12,212	40,946	2,632	2,962	58,752
Accumulated depreciation	(2,619)	(14,584)	(729)	-	(17,932)
Total	**9,593**	**26,362**	**1,903**	**2,962**	**40,820**

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

All plant & equipment have been pledged as security for the Company's other bank borrowings (see Note 16).

14. Intangibles Assets

	Goodwill $000	Brand Names $000	Referrer Relationships $000	TOTAL $000
At 1 July 2020	109,722	1,258	6,969	117,949
Acquisition of entities and businesses (net)	7,871	-	1,243	9,114
Adjustment re prior year acquisitions	185	-	-	185
Amortisation charge	-	-	(1,213)	(1,213)
At 30 June 2021	**117,778**	**1,258**	**6,999**	**126,035**
Cost value	117,778	1,258	9,561	128,597
Accumulated amortisation & impairment	-	-	(2,562)	(2,562)
Total at 30 June 2021	**117,778**	**1,258**	**6,999**	**126,035**

	Goodwill $000	Brand Names $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**

Details of the acquisition of entities and businesses is included in Note 25. Net goodwill arising in 2020 consisted of $14.4m in the Fowler Simmons acquisition and a reduction of $1.9m relating to prior period acquisition adjustments.

Brand names are considered to have an indefinite useful life and accordingly are not amortised but considered for impairment testing in conjunction with goodwill.

Relationships with referrers, are capable of being separated or divided and are considered a valuable asset within the radiology industry. The Referrer Relationships intangible asset reflects the revenue stream from referrers on forwarding patients to a clinic and reflect the relationships that the clinics and the Company's doctors and medical technicians have established with the referrers and the patients over time. This intangible asset is constantly evolving with new patients and referring medical professionals, and as a result it is amortised over 8 years.

15. Trade and Other Payables

	2021 **$000**	2020 $000
Current		
Trade creditors	1,187	1,966
Other creditors and accruals	12,419	15,001
	13,606	**16,967**

16. Borrowings

	2021 $000	2020 $000
Non-current		
Borrowings	29,000	17,000
	29,000	**17,000**

Bank facilities

The Group's current loan facility with National Australia Bank commenced in May 2018 and it is not due to mature until May 2023. During the year the Group completed drawdowns of, and made repayments to, the facility. This resulted in net borrowings outstanding at 30 June 2021 of $29 million. In addition, the $60 million Cash advance facility was renegotiated to 30 May 2023, the equipment leasing facility was decreased from $15 million to $10 million and the $5 million overdraft was cancelled.

The bank facility totalling $144 million was made up of the following:

- Cash advance facility limit up to $60 million for a period of 2 years
- Cash advance facility limit up to $40 million for a period of 2 years
- Bank guarantee facilities with limit of $4 million
- Equipment leasing facilities with limit of $10 million
- Accordion facility of up to $30 million (uncommitted)

The Group's financial covenants under the new loan facility remain unchanged at:

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

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

Utilisation of secured facilities

	Facility $000	Utilised $000	Available $000
2021			
Secured bank loan[1)]	130,000	29,000	101,000
Equipment financing	10,000	2,845	7,155
Bank guarantee facility	4,000	1,373	2,627
At 30 June 2021	**144,000**	**33,218**	**110,782**
2020			
Secured bank loan[1)]	130,000	17,000	113,000
Equipment financing	15,000	4,553	10,447
Overdraft	5,000	-	5,000
Bank guarantee facility	4,000	1,035	2,965
At 30 June 2020	**154,000**	**22,588**	**131,412**

[1)]Includes $30 million Accordion facility

17. Leases

	2021 $000	2020 $000
Lease Liabilities		
Current	9,782	9,640
Non-current	55,284	52,702
Lease liabilities	**65,066**	**62,342**

Maturity analysis

	2021 $000	2020 $000
Year 1	9,782	9,640
Year 2	12,776	10,833
Year 3	10,178	6,763
Year 4	9,025	6,670
Year 5	8,318	7,999
Onwards	15,037	20,513
Less: unearned interest	(50)	(76)
	65,066	**62,342**

17.1 Leases as a Lessee (AASB 16)

The Group leases medical imaging clinics and offices. On average the leases run for 5 years with an option to renew after that date. Lease payments are renegotiated at the end of each lease to reflect market rentals.

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

The Group adopted AASB 16 with effect from 1 July 2019 and elected to use the modified retrospective approach. Under the modified retrospective approach the right of use of an asset was deemed to be equivalent to the liability at transition. AASB 16 distinguishes leases and service contracts based on whether an identified asset is controlled by a customer. A right-of-use asset and a corresponding liability have been recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. Payments associated with low value and short-term assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

17.2 Right-of-Use Asset

Reconciliation of movements in Right-of-use assets during the period:

	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	5,760	1,931	7,691
Leases acquired on acquisition	3,310	-	3,310
Remeasured and modified leases	3,156	84	3,240
Terminated leases	(647)	(23)	(670)
Amortisation charge	(8,564)	(725)	(9,289)
At 30 June 2021	**56,226**	**2,785**	**59,011**
Cost value	72,216	3,663	75,879
Accumulated amortisation	(15,990)	(878)	(16,868)
Total at 30 June 2021	**56,226**	**2,785**	**59,011**

17.2 Right-of-Use Asset (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**

17.3 Lease Liability

Reconciliation of movements in lease liabilities during the period:

	Property Leases $000	Equipment Leases $000	Total $000
At 1 July 2020	(54,803)	(7,539)	(62,342)
Interest expense	(1,661)	(324)	(1,985)
New leases entered into during the period	(4,520)	(1,929)	(6,449)
Leases acquired on acquisition	(3,310)	-	(3,310)
Remeasured and modified leases	(3,231)	(84)	(3,315)
Terminated leases	675	13	688
Loss on modification/termination	(39)	-	(39)
Cash payments	8,552	3,134	11,686
At 30 June 2021	**(58,337)**	**(6,729)**	**(65,066)**
Current	(7,661)	(2,121)	(9,782)
Non-current	(50,676)	(4,608)	(55,284)
Total at 30 June 2021	**(58,337)**	**(6,729)**	**(65,066)**

	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)
Total at 30 June 2020	**(54,803)**	**(7,539)**	**(62,342)**

Implicit interest rate

The Group cannot readily determine the interest rate implicit in the lease, and therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR used by the Group reflects the interest rate the Group pays on its existing loan facilities at the date the lease was entered into. The Group's weighted average IBR used for the period is 2.3% (FY20: 3.3%).

17.3 Lease Liability (continued)

Extension options

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

18. Other Financial Liabilities

	2021 $000	2020 $000
Non-current		
Other financial liabilities	**5,081**	**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 through the profit or loss in accordance with AASB132 Financial Instruments: Presentation.

	2021 $000	2020 $000
Balance at 1 July	3,698	-
Additions	1,457	3,698
Movement in Other financial liabilities	(74)	-
Balance at 30 June	**5,081**	**3,698**

19. Provisions

	2021 $000	2020 $000
Non-current		
Lease property make good allowance	**2,455**	**1,340**

	2021 $000	2020 $000
Balance at 1 July	1,340	1,170
Additions	1,115	170
Balance at 30 June	**2,455**	**1,340**

20. Employee Benefit Liabilities

	2021 $000	2020 $000
Current		
Annual leave	6,907	5,683
Long service leave	5,332	5,145
	12,239	**10,828**
Non-current		
Long service leave	781	852
	781	**852**

21. Issued Capital

21.1 Ordinary Shares

	2021 $000	2020 $000
Issued Capital	**148,631**	**145,776**

	2021 Number of shares	**2021 $000**	2020 Number of shares	2020 $000
Balance at 1 July	1,015,695,881	145,776	768,444,825	107,632
Exercise of options	1,650,000	393	-	-
Conversion of options/performance rights	1,502,566	486	-	-
Share placement and share purchase plan	-	-	248,996,426	40,000
Shares issued on acquisition[1)]	2,347,752	-	6,901,313	-
Shares transferred from Escrow	6,901,313	2,070	-	-
Share issue costs (after tax)	-	(94)	-	(1,499)
Share buy-back	-	-	(1,745,370)	(357)
	1,028,097,512	148,631	1,022,597,194	145,776
Less: Treasury shares	(2,347,752)	-	(6,901,313)	-
Balance at 30 June	**1,025,749,760**	**148,631**	**1,015,695,881**	**145,776**

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

In April 2020 the company undertook a capital raise of $40.0 million via a $30.0 million share placement and $10.0 million share purchase plan. The Group received a total of $38.5 million of funds net of costs.

In 2020 the company issued 6,901,313 shares as part of the acquisition of Fowler Simmons Radiology at a fair value of $2.1m. These shares were held in Escrow and included in the Share-Based Payments Reserve at 30 June 2020. The shares were released from Escrow in March 2021 and transferred from the Share-Based Payments Reserve to Issued Capital.

In 2021 the company issued 2,347,752 shares as part of the Direct Radiology acquisition as deferred consideration. These shares are held in Escrow until August 2023 at which point they will be released subject to a revenue target and ongoing employment. The fair value of these shares is treated as a post-employment cost and will be accumulated in the Share-Based Payments Reserve over this period.

21.2 Performance Rights and Options

The Group operates share option schemes under which options to subscribe for Capitol Health shares have been granted to certain senior executives and doctors. Refer to Note 26 for further details.

During the financial year to 30 June 2021 a total of 1,650,000 options were exercised (2020: nil).

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

Performance Rights	**2021 Number**	**2021 Weighted average exercise price (cents)**	2020 Number	2020 Weighted average exercise price (cents)
Balance at 1 July	4,080,342	-	3,439,827	-
Granted	2,966,102	-	2,385,280	-
Exercised	(1,502,566)	-	-	-
Forfeited	(192,496)	-	(1,744,765)	-
Balance at 30 June	**5,351,382**	**-**	**4,080,342**	**-**

21. Issued Capital (continued)
21.2 Performance Rights and Options (continued)

During the current financial year:

- 2,966,102 performance rights (as disclosed in the remuneration report) were granted to Mr Walter in respect of the financial year ended 30 June 2021 and were approved at the Company's Annual General Meeting on 17 November 2020 (FY20: 2,385,280). Each performance right upon vesting is convertible into 1 fully paid ordinary share with no consideration payable subject to the terms of the Plan and various service and performance conditions. The number of performance rights that will vest is subject to his continuing employment. The ultimate exercising of the performance rights depends on two equally weighted conditions over a 3-year period, being:
  - Total shareholder return performance
  - Growth in earnings per share
- On 31 August 2020, 1,502,566 performance rights granted to Mr Harrison in FY18 vested and were converted into 1,502,566 fully paid ordinary shares in accordance with the terms of the Plan, with 192,496 being forfeited.

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

Options	**2021**		2020	
	Number	**Weighted average exercise price (cents)**	Number	Weighted average exercise price (cents)
Balance at 1 July	29,400,000	28.96	29,400,000	28.96
Granted	12,492,105	31.76	-	-
Exercised	(1,650,000)	23.84	-	-
Forfeited	(5,150,000)	26.92	-	-
Balance at 30 June	**35,092,105**	**30.94**	**29,400,000**	**28.96**

Share options granted under the Plan carry no rights to dividends and no voting rights.

22. Reserves

	Currency translation $000	**Interest rate derivative $000**	**Option $000**	**Share-based payment $000**	**Total $000**
Balance at 1 July 2020	-	(53)	2,107	640	2,694
Allocation of valuation options issued – current year	-	-	482	882	1,364
Conversion of issued options/rights	-	-	(486)	-	(486)
Put options from sale/purchase	-	-	-	(1,457)	(1,457)
Shares released from Escrow	-	-	-	(2,070)	(2,070)
Interest rate derivative movement	-	53	-	-	53
Movement for the financial year	-	53	(4)	(2,645)	(2,596)
Balance at 30 June 2021	**-**	**-**	**2,103**	**(2,005)**	**98**

22. Reserves (continued)

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

i)The Currency translation reserve accumulates all foreign currency differences on the translation of the results and net assets of foreign operations that the Company controls.
ii)The Option Reserve accumulates the recognised values of the share options granted to employees and that have not yet expired. Such value is included in the value of shares issued on the exercise of such options.
iii)Share-Based Payment Reserve recognises movements in put and call options required to be treated directly in equity.

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

The disaggregation of changes in OCI by each type of reserve in equity is shown below:

	Currency translation $000	Interest rate derivative $000	Option $000	Accumulat -ed losses $000	Total $000
Balance at 1 July 2020	-	(53)	-	-	(53)
Interest rate derivative movement	-	53	-	-	53
Balance at 30 June 2021	-	-	-	-	-

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

23. Dividends

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

	2021 $000	2020 $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	-
FY21 Interim Dividend paid 0.5 cents per share on 1 April 2021	5,137	-
	10,258	**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 year the Directors have declared a final dividend of 0.5 cents per share in respect of FY21 which is not recognised as a liability at 30 June 2021.

The Dividend Reinvestment Plan (DRP) is currently suspended.

23. Dividends (continued)

The Group has the following imputation credits:

	2021 $000	2020 $000
Franking account balance at 30 June	**7,935**	7,530
Imputation credits that will arise from the payment of the current tax liability	(104)	1,867
Adjusted Franking account balance	**7,831**	**9,397**
Imputation debits that will arise from payment of dividend declared but not recognised in the financial statements	(2,203)	(3,856)
Adjusted Franking account balance after payment of unrecognised dividend amounts	**5,628**	**5,541**

24. Earnings Per Share (EPS)

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

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

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

	2021 $000	2020 $000
Profit for the year	12,028	1,088
Non-controlling interest	(109)	(223)
Profit attributable to ordinary equity holders of Capitol Health Limited:	**11,919**	**865**
Weighted average ordinary shares used as the denominator in calculating:	**Number**	Number
Basic earnings	1,020,168,615	813,633,961
Effect of dilution from share options	32,758,616	33,747,340
Diluted earnings	1,052,927,231	847,381,301
	Cents	Cents
Earnings per share – Continuing operations:		
Basic	**1.17**	0.11
Diluted	**1.13**	0.10

On 1 February 2021 a total of 2,347,752 fully paid ordinary shares were issued to the vendors of Direct Radiology under voluntary escrow which are subject to a revenue target and ongoing employment until 31 August 2023. These shares have not been included in the above calculation of EPS.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and date of the authorisations of these financial statements.

25. Business Combinations

25.1 Acquisitions

Acquisitions in 2021 financial year

Acquisition of Direct Radiology

On 1 February 2021, the Group acquired the business and assets of Direct Radiology which operates diagnostic imaging clinics in Fairfield, Monbulk and South Melbourne in Victoria. Direct Radiology is a general imaging provider with a full suite of imaging modalities up to MRI and a specialist focus on women's health.

The consideration for the acquisition amounted to $12.55 million with $11.9 million funded from cash reserves and 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 and the ongoing employment of the vendors.

Revenue and profit contribution from the date of acquisition to 30 June 2021:

From the date of acquisition, Direct Radiology contributed $3.6 million of revenue for the Group. If the combination had taken place from the start of the year, revenue would have been approximately $8.6 million.

AASB3 *Business Combinations* require a consolidated pro-form revenue and profit for the current financial year as if the acquisition occurred at the start of the financial year. However, management has determined that the profit for the period of the acquired businesses is impracticable to report and is consistent with definition contained within paragraph 5(a) through (c) of AASB 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* as the records are not available to the Group or are misleading. Notwithstanding the Group considers the revenues for the period to be sufficiently reliable and have reported those above.

Acquisitions in 2020 financial year

Acquisition of Adrad Investments SA Pty Ltd

On 29 February 2020, the Group acquired 90% of the voting shares of Adrad Investments SA Pty Ltd which in turn holds a 100% interest in Adelaide Radiology Pty Ltd (trading as Fowler Simmons Radiology (FSR)). FSR is a leading musculoskeletal imaging provider with a full suite of imaging modalities and state-wide referral services. FSR is based in Adelaide, South Australia and its acquisition allows a premier platform for the Group to enter and expand its footprint in the South Australian market.

The Group has elected to measure the non-controlling interests at proportionate share of fair value.

Revenue and profit contribution from the date of acquisition to 30 June 2020:

From the date of acquisition, FSR contributed $1.9m of revenue and $0.6m to profit before tax for the Group. If the combination had taken place from the start of the year, revenue would have been $5.3m and profit before tax for the Group would have been $2.3m.

25.2 Combinations

Combinations for this reporting period

The Group finalised the accounting of the acquisition of Fowler Simmons Radiology during the period and acquired the business and assets of Direct Radiology on 1 February 2021. There were no other 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	a)
1 February 2021	Direct Radiology	Victoria	11,861	3,989	7,871	b)

a) The Group acquired 90% of the issued share capital of Adrad Investments SA 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. At 30 June 2020 the group provisionally accounted for goodwill of $14.5 million.

25. Business Combinations (continued)
25.2 Combinations (continued)

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

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

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)
Goodwill	14,360
Non-controlling interest	(251)
	16,620

b) The Group acquired the business and assets of Direct Radiology on 1 February 2021. 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 Direct Radiology was made up of the following components:

	$'000
Payment for business and assets	
Cash	12,000
Completion adjustment	(139)
	11,861
Assumed:	
- Recognition of net debtors/creditors	1
-Employee Entitlements	(229)
- Make Good Provision	(108)
-Plant and Equipment	3,387
Other intangible asset	
- Referrer Relationship	1,243
Recognition of Deferred Tax Asset	68
Recognition of Deferred Tax Liability	(372)
Goodwill	7,871
	11,861

The accounting for the acquisition of Direct Radiology has been provisionally determined at the end of the reporting period. At the date of these consolidated financial statements, various calculations had not been finalised in respect of the purchase and they have therefore only been provisionally determined based on the directors' best estimate of the values.

25.2 Combinations (continued)

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

As part of the acquisition Capital Health issued 2,347,752 ordinary shares to the vendors. These shares will be held in escrow and released to the vendors in August 2023 subject to Direct Radiology achieving a revenue target for the year ended 30 June 2023 of $10.6 million and continued ongoing employment of the vendors. The acquisition was funded from cash reserves and existing bank debt facilities and the issue of shares in Capitol Health Limited. This is accounted for as a post-employment cost and not through goodwill.

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.

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	

25.3 Impairment Testing for Cash-Generating Units (CGU) Containing Goodwill and Brand Names

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

Management consider that the Groups' operations have identifiable cash flows representing one group of CGU's and the recoverable amount of the CGU has been tested for impairment on the basis of its value in use. The value in use calculation uses assumptions including cash flow projections based on the Board approved projection for the FY22 year and forecasts for a further 4 years which are extrapolated in perpetuity using a long-term average growth rate of 2% (2020: 3%) and terminal value growth rate of 2.5% (2020: 2.5%).

The discount rate (pre-tax) used to determine recoverable amounts as at 30 June 2021 for the CGU was 12.8% (2020: 13.4%). The discount rate includes the current actual cost of debt and equity cost based on market comparatives which is lower than prior year.

The Australian diagnostic imaging industry is estimated to increase by 3.9% over the next four years through to FY25 with strong growth in demand for procedures that provide the most accurate and detailed images without the use of radiation such as MRI's and ultrasounds (IBIS World). In addition, the reintroduction of the Medicare indexation and a $6 billion overall increase in Medicare funding over 4 years announced in the 2021 budget is also expected to have a positive impact on industry growth. After a slow-down in FY19, the Group's growth stabilised in FY20 prior to the impact of Covid-19. Subsequent to FY20 the Group has experienced organic growth for FY21 of 10.3%. The cash flow projections in respect of FY22 were considered in light of current and expected market conditions including the continued impact of Covid-19, with rolling Stage 4 restrictions likely in the key operating areas of the Group until at least early 2022. Longer term market growth for the sector is expected to continue, supported by the ageing and expanding Australian population and continuing high demand for diagnostic imaging, and therefore has been conservatively estimated at 2.0%. The operating expense growth has also been conservatively estimated at 2% per annum against current CPI of 1.6% and a forecast of 2.5% by 2023. The terminal value including 2.5% growth has been included in the estimate of recoverable amount, predicated on the continued demand for diagnostic imaging beyond the immediate five-year forecast period.

No impairment was noted as a result of this review.

26. Share-Based Payments

Capitol Health Limited operates an incentive plan known as the Capitol Health Limited Employee Incentive Plan ("Plan") which was approved by shareholders at the annual general meeting held on 16 November 2015. The Plan enables the Company to grant equity awards to eligible participants, in the form of performance rights and/or options (together, "Awards") over Company shares.

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

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

There are no voting or dividend rights attaching to unvested Awards. Voting rights will be attached to the ordinary shares when Awards vest. During the financial year 2,966,102 performance rights (2020: 2,385,280) and 12,492,105 options (2020: nil) were issued pursuant to the Plan to KMP as listed in the Remuneration Report and certain radiologists. The options are unlisted, and the exercise price and vesting information is contained in Note 21.

In FY20 the Group entered into an agreement with an employee that resulted in a six-year limited non-recourse loan. The fair value of the loan was independently determined at $4.5m (FY20: $1.8m) and will vest over six years.

27. Financial Assets and Financial Liabilities

27.1 Categories of financial assets and liabilities

Note 2.6.13 provides a description of each category of financial assets and financial liabilities and the related accounting policy. The carrying amount of financial assets and financial liabilities are as follows:

	Note	Fair value through profit or loss* $000	Financial Assets # $000	Total $000
30 June 2021				
Financial Assets				
Other financial asset (current)		-	169	169
Other financial asset (non-current)	12	19,522	-	19,522
Trade and other receivables	11	-	5,582	5,582
Cash and cash equivalents	10	-	21,749	21,749
Total		**19,522**	**27,500**	**47,022**

27.1 Categories of financial assets and liabilities (continued)

	Note	Fair value through profit or loss* $000	Other Liabilities # $000	Total $000
30 June 2021				
Financial Liabilities				
Non-current borrowings	16	-	29,000	29,000
Non-current lease liabilities	17	-	55,284	55,284
Other financial liability	18	5,081	-	5,081
Current lease liabilities	17	-	9,782	9,782
Trade and other payables	15	-	13,606	13,606
Total		**5,081**	**107,672**	**112,753**

	Note	Fair value through profit or loss* $000	Financial Assets # $000	Total $000
30 June 2020				
Financial Assets				
Other financial assets (current)		-	277	277
Other financial assets (non-current)	12	22,138	-	22,138
Trade and other receivables	11	-	5,493	5,493
Cash and cash equivalents	10	-	13,763	13,763
Total		**22,138**	**19,533**	**41,671**

	Note	Fair value through profit or loss*	Other Liabilities # $000	Total $000
30 June 2020				
Financial Liabilities				
Non-current borrowings	16	-	17,000	17,000
Non-current lease liabilities	17	-	52,702	52,702
Other financial liabilities	18	3,698	-	3,698
Current lease liabilities	17	-	9,640	9,640
Trade and other payables	15	-	16,967	16,967
Total		**3,698**	**96,309**	**100,007**

Carried at amortised cost
* Carried at fair value

27.2 Derivative Financial Instruments

Cash flow hedge

At 30 June 2020 the Company had an interest rate swap agreement that was used to hedge the exposure to changes to cash flows related to interest rates under the loan facility. The agreement which expired 7 September 2020, was required under the loan facility documents in place with a notional amount of $10.0m representing 59% of total utilized loan facility at that time, and on its expiry the right to renew or extend this agreement was waived by the bank. The Company has not entered into any new agreements and at 30 June 2021, the Company did not have a cash flow hedge in place or have any other derivative financial instruments.

27.3 Borrowings at Amortised Cost

Borrowings include the following financial liabilities:

	Current		Non-current	
	2021	2020	**2021**	2020
	$000	$000	**$000**	$000
Carrying amount at amortised cost:				
• External bank borrowings	-	-	29,000	17,000
• Lease liabilities	9,782	9,640	55,284	52,702
	9,782	**9,640**	**84,284**	**69,702**
Carrying amount at fair value:				
• External bank borrowings	-	-	29,000	17,000
• Lease liabilities	9,782	9,640	55,284	52,702
	9,782	**9,640**	**84,284**	**69,702**

External borrowings are secured by leasehold improvements and equipment owned by the Company (see Note 13). Current interest rates are variable and average 2.3% during the year (2020: 3.0%). The carrying amount of the external borrowings is considered to be a reasonable approximation of the fair value. The carrying amount of all the borrowings is considered to be a reasonable approximation of the fair value.

27.4 Other Financial Instruments

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- trade and other receivables
- cash and cash equivalents
- trade and other payables

27.5 Liquidity Risk

Liquidity risk is the risk that the Group is not able to pay its debts as they fall due.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cashflows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are included in Note 16.

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

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

In $000	**Weighted average effective interest rate**	**Less than 3 months**	**3 months to 1 year**	**1-5 years**	**Total**	**Carrying amount**
2021						
Trade and other payables	-	13,124	-	482	13,606	13,606
Interest-bearing loans	2.3%	-	-	29,000	29,000	29,000
Lease liability	3.3%	2,023	7,759	55,284	65,066	65,066
		15,147	**7,759**	**84,766**	**107,672**	**107,672**
2020						
Trade and other payables	-	14,397	2,570	-	16,967	16,967
Interest-bearing loans	3.0%	-	-	17,000	17,000	17,000
Lease liability	3.3%	389	9,251	52,702	62,342	62,342
		14,786	**11,821**	**69,702**	**96,309**	**96,309**

27.6 Interest Rate Risk

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

The Group manages its interest rate risk by having a portfolio of fixed and variable rate loans and borrowings. In July 2020, the bank waived its requirement under Group's loan facility to use interest rate swaps. An interest rate swap provides that the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount are paid at specified intervals. At 30 June 2021, there were nil interest rate swaps covering outstanding debt (2020: 59%).

27.7 Foreign Currency Risk

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

The Group does not hedge its exposure to fluctuations on the translation into Australian dollars of this investment as the unlisted investment is not regularly traded and management assesses the foreign exchange risk as low over the longer term. Based on the 30 June 2021 valuation of the investment, a 1.0 cent movement in USD:AUD exchange rate results in +/-$0.3m unrealised foreign exchange gain or loss in the consolidated statement of profit or loss.

27.8 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. However as 76% of the Group's business relates to bulk billed procedures that are reimbursed directly by the government, we assess the overall credit risk exposure as low.

28. Controlled Entities

	Country of Incorporation	Equity Interest 2021	Equity Interest 2020
Capital China Operations Pty Ltd	Australia	100%	100%
Capital China Radiology Pty Ltd	Australia	100%	100%
Capitol Global Pty Ltd	Australia	100%	100%
Capitol Investments Pty Ltd	Australia	100%	100%
Capital Radiology (NSW) Pty Ltd	Australia	100%	100%
Capital Radiology Pty Ltd	Australia	100%	100%
Capital Radiology WA Pty Ltd	Australia	100%	100%
Capitol Treasury Pty Ltd	Australia	100%	100%
Capitol Health Holdings Pty Limited	Australia	100%	100%
CHL Operations Pty Ltd	Australia	100%	100%
Diagnostic MRI Services Pty Limited	Australia	100%	100%
Diagnostic MRI Services Unit Trust	Australia	100%	100%
Eastern Radiology Services Pty Ltd	Australia	100%	100%
Eastern Radiology Services Unit Trust	Australia	100%	100%
Imaging @ Olympic Park Pty Ltd	Australia	75%	75%
Imaging @ Olympic Park Unit Trust	Australia	100%	100%
MDI Group Pty Ltd	Australia	100%	100%
MDI Manningham Pty Ltd	Australia	100%	100%
MDI Radiology Pty Ltd	Australia	100%	100%
Radiology One Pty Ltd	Australia	100%	100%
Radiology Tasmania Pty Ltd	Australia	100%	100%
Joremo Pty Ltd	Australia	100%	100%
Adrad Investments SA Pty Ltd	Australia	90%	90%
Lime Avenue Radiology Pty Ltd[1)]	Australia	70%	-
Capital Heart Pty Ltd[1)]	Australia	55%	-
Capital Radiology (Pakenham) Pty Ltd[1)]	Australia	70%	-
CAJ Holdings Pte Ltd[2)]	Singapore	100%	100%
CAJ Investments Pte Ltd[2)]	Singapore	100%	100%

[1)]Entity incorporated during the year ended 30 June 2021
[2)]Entity in process of de-registration

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

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

29. Deed of Cross Guarantee

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

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

29. Deed of Cross Guarantee (continued)

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

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

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

	2021	2020
	$000	$000
Statement of Comprehensive Income		
Revenue	155,049	151,893
Wages, contractor costs and salaries	(100,603)	(90,811)
Occupancy costs	(4,552)	(4,237)
Medical equipment and consumable supplies	(9,834)	(8,784)
Service costs	(1,481)	(12,413)
Transaction and restructure costs	(1,267)	(3,054)
Unrealised foreign exchange gain/(loss)	(1,882)	343
Impairment of financial assets	(734)	(1,619)
Financial liabilities' movement in fair value	74	-
Depreciation and amortisation	(20,784)	(25,883)
Net finance costs	(3,304)	(3,832)
Profit before Income Tax	**10,682**	**1,603**
Income tax expense	(4,794)	(1,400)
Profit for the Year	**5,888**	**203**

29. Deed of Cross Guarantee (continued)

Consolidated Statement of Financial Position of the Closed Group

	2021 $000	2020 $000
Statement of Financial Position		
Assets		
Cash and cash equivalents	21,509	12,081
Trade and other receivables	4,097	5,227
Other financial assets	169	-
Other assets	713	494
Total Current Assets	**26,488**	**17,802**
Plant and equipment	38,773	39,596
Right-of-use assets	57,312	52,713
Intangible assets	109,099	99,981
Investment in entities	16,936	16,841
Other financial assets	19,522	22,138
Other receivables	131	630
Deferred tax asset	5,541	5,616
Total Non-Current Assets	**247,314**	**237,515**
Total Assets	**273,802**	**255,317**
Liabilities		
Trade and other payables	13,392	15,810
Intercompany payable	12,825	10,067
Lease liabilities	9,342	9,270
Employee benefit liabilities	12,152	10,607
Income tax liability	-	2,188
Total Current Liabilities	**47,711**	**47,942**
Borrowings	29,000	17,000
Lease liabilities	53,304	50,277
Other financial liability	5,081	3,698
Provisions	2,401	1,286
Employee benefit liabilities	728	792
Deferred tax liability	3,282	1,598
Total Non-Current Liabilities	**93,796**	**74,651**
Total Liabilities	**141,507**	**122,593**
Net Assets	**132,295**	**132,724**
Equity		
Issued capital	148,631	145,776
Reserves	98	2,694
Accumulated losses	(9,858)	(15,746)
Equity Attributable to Closed Group	**132,295**	**132,724**

30. Parent Entity Disclosure

	2021 $000	2020 $000
Financial information		
Operating profit	11,484	7,719
Total Comprehensive Income	11,484	7,719
Total Net Assets	**140,258**	**138,531**
Issued capital	148,631	145,776
Reserves	98	2,452
Retained earnings	(8,471)	(9,697)
Total Equity	**140,258**	**138,531**
Guarantees	**1,373**	1,035

Guarantees

The parent entity has provided financial guarantees in respect of bank overdrafts, finance leases and loans of the subsidiaries totalling $1,372,000 (2020: $1,035,000), secured by a first registered charge over the assets of the entity.

The parent entity is party to the deed of cross guarantee as listed in Note 29.

Other commitments

The parent entity has no commitments or contingent liabilities (2020: nil).

31. Commitments

From 1 July 2019 leased properties and facilities are treated under AASB 16 (refer Note 17) and are included in the financial statements.

The company has the following capital expenditure commitments contracted for:

	2021 $000	2020 $000
Plant and equipment purchases	12	212

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

32. Contingencies

32.1 Rental guarantees

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

33. Related Parties

33.1 Key management personnel remuneration

	2021 $	2020 $
Salaries and fees	1,833,691	1,344,096
STI cash bonus	795,000	737,460
Other short-term benefits	89,752	77,749
Transition fee[1)]	-	715,096
Termination payments	262,073	-
Post-employment benefits:		
Superannuation	93,391	72,308
Long term employee benefits	33,107	4,347
Share-based payments	283,701	117,979
	3,390,715	**3,069,035**

[1)] Transition fee paid in respect of the services delivered by Mr Harrison in FY20

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

Information regarding individual key management personnel compensation as required by Corporation Regulations 2M.3.03 are provided in the Remuneration Report as part of the Directors' Report on pages 14 to 25.

33.2 Other key management personnel transactions with the Company or its subsidiaries

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

During the financial year Mr Walter's spouse was engaged as a contractor within the business to provide specialist diagnostic technician services. This arrangement has been notified to the Board and is considered to be on commercial terms. The total amount payable for the year ended 30 June 2021 is $29,600 (2020: less than $2,000).

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

34. Segment Information

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

35. Reconciliation of Cash Flows from Operating Activities

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

Reconciliation to net cash flows from operations:	2021 $000	2020 $000
Profit before income tax	**19,441**	**2,163**
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	21,396	26,025
Impairment charge	734	1,619
Financial liabilities movement	(74)	
Share-based payment expense	1,364	724
Unrealised foreign exchange loss/(gain)	1,882	(343)
Covid-19 rent relief	-	(380)
Other non-cash expense	(490)	(2,330)
Working capital adjustments:		
(Increase) in trade and other receivables	(89)	(2,831)
(Increase) in other current net assets	(88)	(105)
Decrease in other non-current net assets	450	536
Increase/(Decrease) in trade payables	(3,365)	6,342
Increase/(Decrease) in lease liabilities	(2,725)	3,698
(Decrease)/Increase in employee benefit liabilities	1,340	(279)
Increase in provisions	1,115	170
Net cash flows from operating activities	**40,891**	**35,009**

36. Auditors Remuneration

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

	2021 $	2020 $
Audit and other services		
Audit and review of Group financial reports	260,000	240,000
Other services:		
Other corporate finance services	-	-
Total remuneration for audit and other services	**260,000**	**240,000**

The auditor of the Group is Deloitte Touche Tohmatsu.

37. Events Subsequent to Balance Date

Subsequent to 30 June 2021:

Coronavirus (Covid-19) pandemic
The Coronavirus (Covid-19) pandemic continues to disrupt activity levels post year end where 'snap' lockdowns in the form of Stage 4 restrictions are being used across Australia to limit the transmission of the disease by containing activity levels.

Dividend
On 25 August 2021 the Company declared a final dividend for the full year ended 30 June 2021 of 0.5 cents per share (30 June 2020: 0.5 cents) with the maximum dividend payable of $5.14 million.

Other than the above, there have been no other matters or circumstances occurring subsequent to the end of the 2021 financial year that have significantly affected or may significantly affect the operations of the Group, the results of these operations or the state of affairs of the Group in subsequent financial years.

In the opinion of the Directors of Capitol Health Limited:

(a) the attached consolidated financial statements and notes thereto and the Remuneration Report contained in the Directors' Report, set out on pages 14 to 25, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

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

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

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

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group will be able to meet any obligations or liabilities which they are, or may become, subject to virtue of the deed of cross guarantee described in Note 29 to the financial statements.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.

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

Justin Walter
Managing Director
Melbourne, Victoria
25 August 2021

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Capitol Health Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

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

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying Value of Goodwill As at 30 June 2021, goodwill totalling $117.8m has been recognised in the consolidated statement of financial position as disclosed in Note 14. The Group is required to annually assess the carrying value of goodwill. This is performed through a value-in-use discounted cash flow model. The value-in-use calculation includes key assumptions and judgements in the calculation of the recoverable amounts, namely forecast future cash flows, the long-term growth rate and the discount rate.	Our procedures included, but were not limited to: ▪ Evaluating the appropriateness of management's identification of the Group's CGU to which the goodwill is allocated. ▪ Reviewing board approved budget and forecasts vs Management impairment model. ▪ Assessing the reasonableness of cash flow projections and assessing growth rates. ▪ Assessing the historical accuracy of forecasting of the Group. ▪ Engaging our valuation specialists to assess the key assumptions and methodology used by management in the impairment model, in particular the discount rate and the terminal value growth rate. ▪ Evaluating the Group's assets carrying amount against its market capitalisation. ▪ Testing the mathematical accuracy of the impairment model. We have also assessed the appropriateness of the disclosures in Note 14 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Deloitte.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

Deloitte.

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 25 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Capitol Health Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke du Toit
Partner
Chartered Accountants
Melbourne, 25 August 2021

Details of Shares, Performance Rights and Options as at 6 August 2021:

Top Holders

The 20 largest holders of each Fully Paid Ordinary Shares as at 6 August 2021 were:

Fully Paid Ordinary Shares

Name	No. of Shares	%
Citicorp Nominees Pty Limited	175,231,262	17.08
National Nominees Limited	149,997,447	14.62
HSBC Custody Nominees (Australia) Limited	131,428,169	12.81
J P Morgan Nominees Australia Pty Limited	121,140,086	11.81
BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	55,741,837	5.43
BNP Paribas Nominees Pty Ltd <Drp>	38,664,825	3.77
Idinoc Pty Ltd <J & R Conidi Family A/C>	27,477,886	2.68
HSBC Custody Nominees (Australia) Limited <NT-Comwlth Super Corp A/C>	20,365,218	1.99
Neweconomy Com Au Nominees Pty Limited <900 Account>	12,511,492	1.22
Nick Conidi Pty Ltd <Conidi Family A/C>	11,764,740	1.15
Gia Chau Pty Ltd	11,000,000	1.07
CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	9,623,821	0.94
SMKA Super Pty Ltd <SK Super Fund A/C>	7,001,313	0.68
UBS Nominees Pty Ltd	6,174,057	0.60
Mr Nicola Conidi + Mrs Giannia Conidi <Nick & Jan Conidi S/F A/C>	6,160,486	0.60
Stelhaven SMSF Pty Ltd <Stelhaven Super Fund A/C>	5,120,843	0.50
Teleah Pty Ltd <Jr Sauvey Super Fund A/C>	4,177,946	0.41
J & P Chick Pty Limited <J & P Chick Pty Ltd S/F A/C>	4,050,000	0.39
Mr Andrew Duncan Harrison + Mrs Katrina Ellen Harrison <Harrison Super Fund A/C>	3,626,818	0.35
Dr Jeffrey Eric Dale Chick + Dr Pamela Hazel Chick	3,518,000	0.34
	804,776,246	78.46

Distribution Schedules

A distribution of each class of equity security as at 6 August 2021:

Fully Paid Ordinary Shares

Range	Total holders	No. of shares	% Units
1 - 1,000	435	123,046	0.01
1,001 - 5,000	1,181	3,566,140	0.35
5,001 - 10,000	771	6,166,517	0.60
10,001 - 100,000	2,165	77,686,081	7.56
100,001 Over	516	940,555,728	91.49
	5,068	**1,028,097,512**	**100.00**

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

Range	Total holders	No. of Performance Rights	% Units
100,001 Over	1	5,351,382	100.00
	1	**5,351,382**	**100.00**

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

Range	Total holders	No. of Performance Rights	% Units
100,001 Over	36	35,092,105	100.00
	36	**35,092,105**	**100.00**

Escrowed Securities

As at 6 August 2021, a total of 2,347,752 Fully Paid Ordinary Shares are currently subject to voluntary escrow until 31 August 2023.

Substantial shareholders

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

Substantial Shareholder	No. of shares	%
Challenger Limited (and its related entities)	103,171,744	10.04
Lennox Capital Partners Pty Limited	101,424,938	9.87
Wilson Asset Management Group	73,978,086	7.20
Paradice Investment Management Pty Ltd	67,359,082	6.55
National Nominees Ltd ACF Australian Ethical Investment Limited	60,315,023	5.87

Unmarketable Parcels

Holdings less than a marketable parcel of ordinary shares (being 1,370 at $0.365 per share as at 6 August 2021):

Fully Paid Ordinary Shares	Holders	No. of shares	%
Holdings less than a marketable parcel	520	221,509	0.02

Voting Rights

The voting rights attaching to fully paid ordinary shares are:

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

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

On-Market Buy Back

The Company has a current on-market buy-back with ability to acquire up to 52,515,675 ordinary shares over a 12-month period to 4 September 2021.

Additional Shareholder Information

The 2021 Annual General Meeting will be held on Tuesday, 16 November 2021 at 11.00am (AEDT).

In accordance with clause 13.3 of the Company’s constitution, the Closing Date for Nomination of Director is Monday, 1 November 2021.

END OF REPORT