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 2020

Comparative period
Year ended 30 June 2019

	June 2020	June 2019* Restated	% change Increase/ (decrease)
Results from Continuing Operations	**$000**	**$000**	
Revenue from ordinary activities	153,791	149,238	3.1%
Profit for the year attributable to members	1,008	24,307	(95.5%)
Profit for the year attributable to members of parent (before non-controlling interest)	865	24,307	(96.4%)
Underlying EBITDA 1	36,359	22,800	59.5%
Underlying EBITDA excluding impact of AASB 16	27,773	22,800	21.8%

1 Underlying EBITDA represents statutory net profit before the allocation of transaction costs, revaluation/impairment charge, 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	25 September 2020	23 October 2020	0.5 cents	100%
Interim dividend	6 March 2020	23 October2020	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 2020 Final Dividend.

Net Tangible Asset Backing	2020	2019
Net tangible Assets per ordinary security (cents) (calculated excluding intangible and right-of-use assets and liabilities)	3.0	1.201

Other information regarding the accounts

Additional ASX Appendix 4E disclosures can be found in the 2020 Annual Report as attached. This Appendix 4E should be read in conjunction with Director's Report and the audited Financial Report for the year ended 30 June 2020.

CAPITOL HEALTH

LIMITED

ABN 84 117 391 812

2020 ANNUAL REPORT

Contents

Corporate Directory

Directors

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

Company Secretary

Ms Melanie Leydin – Company Secretary

Principal Place of Business and Registered Office

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

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

Auditor

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

Share Registry

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

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

Stock Exchange

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

Chairman's Report

Dear Fellow Shareholders,

On behalf of the Board of Directors of Capitol Health Limited, I am pleased to present our 2020 Annual Report.

The Covid-19 pandemic presented 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 Company was severely impacted during April and May due to the restrictions imposed to manage the Covid-19 pandemic and as a result qualified for the Government's JobKeeper assistance employer subsidy. Despite the uncertainty of these unprecedented health and economic impacts that we are still experiencing, the Company has performed very well during this period. It is indeed pleasing to note that the Company has been able to increase its revenue from $149.2m in 2019 to $153.8m in 2020.

Highlights for the year ended 30 June 2020 included:

- Revenue up 3% to $153.8m
- Operating EBITDA of $27.8m, up 21.8% over the prior period
- Profit after tax of $1.1m
- Earnings per share of 0.11 cents
- The Group's balance sheet remains sound with cash of $13.8m and unused funding facilities of $131.4m
- Fully franked dividend declared in FY20 totalling 1.0 cent per share

These results would not have been possible without swift decisions taken by management at the appropriate time and the implementation of procedures and measures to safeguard the assets of the Company while looking after the safety of our valued staff and caring for patients.

In addition to the operational measures to ensure Covid-19 safe practices for all staff and patients, other measures included the decision to defer the payment of the FY20 interim dividend to October 2020 and to undertake a capital raise. The successful raise of $29.8m and $10.0m from its Placement and Share Purchase Plan in April and May 2020, along with deferral of the interim dividend payment allowed the Company to maintain a strong financial position and will be key to be able to continue its strategic expansion as opportunities present.

The Company stated at last year's AGM that it had developed an acquisition pipeline and in January 2020 it announced the purchase of 90% of Fowler Simmons Radiology, a highly regarded musculoskeletal imaging centre. Such an acquisition is aligned with the Company's strategic plan for long-term organic growth and expansion of its national network of high-quality community imaging centres. This is in addition to the opening of a new clinic and full re-fit of a second clinic during the year, both in Victoria. A third clinic opening, also in Victoria, was delayed due to Covid-19 related restriction issues and is now planned to be open once the current stage 4 restrictions are lifted.

During FY20, the Company saw the resignation of Mr Andrew Harrison as Non-Executive Director of the Company. Mr Harrison has a long history with the Company and has brought to the Board his invaluable knowledge of the industry and expertise. The Board continues to operate effectively and will ensure that it remains effective and efficient in bringing value to the Company and is actively seeking replacement directors.

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 challenging times; our patients who used our services and the large group of referrers who continues 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, 26 August 2020

Dear Shareholders,

I am pleased to report that the Company (CAJ) successfully navigated the FY20 impact of the Covid – 19 pandemic through prudent risk management. CAJ responded swiftly to these unprecedented circumstances ensuring we maintained our infrastructure of clinics and equipment, people and jobs, staff and patient safety. We are proud of the way in which our radiologists, clinic staff and management teams adapted to the changed operating environment without interruption to patient care and service to our valued referrers.

For the year ended 30 June 2020, CAJ delivered an operating EBITDA of $27.8m, up 21.8% on prior year. Margin continued to improve to 18.1%, up from 15.3% in 2019. A strong performance was partially offset by the deterioration in current market economic conditions as a result of Covid-19. Importantly, organic growth rose to 4.1% driven by both market share and margin expansion.

Evidence that our new Company vision, values and strategy is working. Based on this strong performance, we have declared a fully franked dividend of 0.5 cents per share, and this will be paid together with the deferred interim dividend of 0.5 cents per share, bringing the total dividend to 1.0 cent per share in respect of the FY20 year.

In response to the uncertain economic conditions, we undertook a capital raise of $40m (pre costs) to further strengthen our balance sheet and reduce debt significantly to $9.2m. This balance sheet strength places CAJ in an ideal position to pursue organic growth and bolt on acquisition opportunities that will create further value for our shareholders. We were delighted to welcome the Fowler Simmons Radiology (FSR) team to the CAJ family in March 2020. A highly regarded clinic based in the Adelaide CBD, the team are a natural complement to our existing service at Imaging at Olympic Park. We will build on these elite sports and MSK imaging services over the years ahead.

Furthermore, we opened our Cranbourne greenfield site and commenced our new cardiac services at our site in Carlton. We plan to open a further two to four greenfield sites in the next twelve months.

The new management team continue to build capability and scalability, supporting our clinic teams to be the best at what they do. We welcomed senior roles focused on organic growth and market share, operational excellence, and being a destination employer. We also undertook a review of our Clinical Governance Framework to ensure our patients and referrers get the best imaging services possible, and further strategies and investment to differentiate CAJ as a quality provider are underway.

I personally thank the CAJ Chairman and Board for their unwavering support of the management team and Company during an incredibly difficult time. Finally, I thank every staff member in the clinics and head office, who rose to the challenge in 2020 and demonstrated CAJ is one team and community focused.

Justin Walter
Managing Director
Melbourne, Victoria
26 August 2020

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 2020, and the auditor's report thereon.

Directors

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

Mr Andrew Demetriou
Chairman and Non-Executive Director

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

Mr. Demetriou is a Director of Crown Resorts Limited (ASX:CWN) - 2015 to present.

Mr Justin Walter
Managing Director from 1 July 2019

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 is a director of Powerwrap Limited (ASX:PWL) – 2017 to present.

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

Ms Sheffield is Executive General Manager Community & Consumer at Australia Post responsible for delivering seamless experiences across more than 4,300 Post Offices – Australia's largest retail network – the customer contact centre and digital channels, as well as brand, marketing, community and corporate social responsibility.

Ms Sheffield's intrinsic understanding of the Australian consumer and digital transformation has been honed through 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 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 has a Masters of Business (UTS) and a Bachelor of Arts/Bachelor of Laws (Macquarie University).

Mr Andrew Harrison, BCom (Hons)
Non-Executive Director – appointed 1 July 2019; resigned 25 May 2020

Mr Harrison resigned from his role as Managing Director and Chief Executive Officer on 30 June 2019 and was reappointed as a Non-Executive Director on 1 July 2019. He resigned as a Non-Executive Director on 25 May 2020.

Company Secretary

Ms Melanie Leydin, CA
Company Secretary

Ms Leydin has over 25 years' experience in the accounting, company secretarial and governance profession and is a company secretary for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant, Registered Company Auditor and a Fellow of the Governance Institute of Australia. Since February 2000, she has been the principal of, Leydin Freyer, specialising in outsourced company secretarial and financial duties.

Directors' Meetings

Committee Membership

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

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

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

	Board		Nomination & Remuneration Committee		Audit & Risk Committee	
Director	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mr A Demetriou	18	18	3	3	5	5
Mr J Walter	18	18	-	-	-	-
Mr R Loveridge	18	18	3	3	5	5
Ms N Sheffield	18	18	3	3	5	4
Mr A Harrison[1)]	16	16	-	-	-	-

[1)] Mr Harrison resigned as non-executive director on 25 May 2020

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 the Capitol Health Limited were:

Director	Ordinary Shares	Performance Rights
Mr A Demetriou	200,000	-
Mr R Loveridge	656,364	-

Dividends

The Company 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 FY20 interim dividend payment was deferred from April 2020 to October 2020 to preserve cash due to impact of Covid-19. The Company has a franking account balance of approximately $7.5m at 30 June 2020.

Dividends Paid on Ordinary Shares	Cents	$000
FY20 final dividend recommended	0.5	5,113
Dividends accounted for in FY20		
FY20 interim dividend (deferred)	0.5	3,842
FY19 final dividend (declared and paid)	0.5	3,842

All dividends paid were fully franked.

Dividend Reinvestment Plan ("DRP")

The Company 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.

Principal Activities

The Group is a leading provider of diagnostic imaging and related services to the Australian healthcare market. Headquartered in Melbourne, during the period the Company operated clinics throughout Victoria, Tasmania and Western Australia.

The Company conducts more than 1 million procedures every year and employs over 800 people including specialist radiologists. The Company's operational focus is on delivering a community-based infrastructure for radiologists and related medical practitioners to deliver optimal, efficient, accurate healthcare service outcomes for patients. Facilities are community-based, with priority given to service and minimisation of administrative burdens for healthcare professionals.

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

Operating and Financial Review

Business Strategy

During FY20, the management of Capitol Health established a 3-year forward-looking strategy framework that articulates the Group's five key goals in order for the Group to be:

- The First Choice Provider for our Referrers and Patients
- The Destination employer for our Employees
- Using Next-generation Technology in the delivery of our quality services
- Operationally excellent with a scalable and well governed standard operating model
- Using Valued based communications with each of stakeholder groups to support our growing market reputation.

Overview

The Group recorded profit after tax for the year ended 30 June 2020 of $1.1 million (2019: $24.3 million) after recognising the impact of AASB 16.

Major Acquisitions and Organic Growth

During the 2020 financial year the Group continued to build momentum to achieving its 3-year strategy. This has been through continued focus on organic growth, whilst it also opened a new site in Cranbourne, refreshed and re-opened another clinic with a major fit-out and equipment upgrade in Carlton and acquired a clinic in South Australia.

Operating Review

The current financial year was negatively impacted by Covid-19 with service levels operating in line with targets for the first nine months before being severely impacted by the restrictions imposed to manage the Covid-19 pandemic in the final quarter of the financial year resulting in Medicare diagnostic imaging service levels growing at 2.9% nationally but only 2.2% in Victoria for the rolling twelve months - down from the traditional levels of 4-6% per annum

Financial Review of FY20

- Operating revenue from continuing operations for services rendered increased 3% to $153.8 million over the corresponding period. This increase was driven by revenue from newly acquired businesses, in addition to organic growth. During the period there were no changes in the level of Medicare rebates while Medicare diagnostic receipts continued to grow reflecting the level of volume growth;

- Operating Profit ("EBITDA") (being Operating Profit before Finance Costs, Income Tax, Depreciation and Amortisation net of Transaction Costs and Revaluation/Impairment Charges and excluding the impact of AASB16) increased by 22% to $27.8 million compared to $22.8 million on FY19.

- Operating Profit ("EBITDA") including the impact of AASB16 increased the statutory result from $27.8 million to $36.4m million, and also increases depreciation to $26.0 million, net finance costs to $3.5million for a profit for the year of $1.1 million.

- Operating EBITDA Margin (Operating EBITDA as a percentage of Revenue) was 18.1% compared to prior comparable period EBITDA margin from continuing operations of 15.3%. This improvement in margin reflects focus on cost control despite pressure from increased salary and wage costs, prior to the impacts of COVID-19 and then swift and effective cost management during the first wave of the pandemic.

- In response to COVID-19, management moved swiftly to review the cost base of the business. Specifically, by matching staff levels to the reduced patient demand and working with landlords to secure some rent relief at our most impacted clinics. The business was also successful in qualifying for the Job Keeper subsidy and cashflow relief on income taxes.

- Transaction costs of $1.3 million compared to $4.0 million in prior comparable period were incurred in respect of both completed acquisitions and acquisitions that did not proceed during the financial period.

- Restructure costs of $1.7 million (2019: nil) reflect changes in the organisation over the last 12months including the CEO transition.
- Net finance costs increased $1.8 million (111%) to $3.5 million over the corresponding prior period primarily due to the interest on right-of-use asset following the adoption of AASB 16.
- Income tax effective tax rate for the period was 50% compared to 14% in prior period after restatement which was impacted by the revaluation of the Enlitic investment.

Capital Management Initiatives

During the year the Company conducted a share buy-back of 1.9 million shares ($0.4 million) and also raised $40.0 million (pre costs) through a Capital Raising consisting of a $30.0 million Placement and $10.0 million Share Purchase Plan.

Significant Changes in the State of Affairs

During the financial year Consolidated Net Assets increased by $32.8 million (2019: increase of $13.8 million) to $144.0 million.

Acquisitions

During the financial year, the Group acquired a 90% interest in Adelaide Radiology Pty Ltd (trading as Fowler Simmons Radiology) in South Australia.

This acquisition is in line with the Company's growth strategy and is an accretive deployment of existing capital resources prior to the impacts of COVID-19. This is also the Group's entry into the South Australian market and will provide a base to build critical mass to further grow the business in this region.

The total cost of this acquisition was approximately $17 million based on amounts paid, bank loans assumed and deferred and contingent consideration payable.

Capital Structure

Long term borrowings

During the year the Group drew down on and made repayments to its loan facility with NAB, resulting in net debt outstanding at 30 June 2020 of $7.1 million. In addition, the $60 million Cash advance facility was renegotiated to 30 May 2022 and the equipment leasing facility was increased to $15 million.

The funds drawn down were used to fund business acquisitions and certain equipment purchases and a $40 million equity capital raise in May 2020 was used in the short term to repay the loan balance.

The Group continued to reduce its share capital via a share buy-back programme in first half of FY20 and during the initial stages of the COVID -19 pandemic when it was seen to be accretive to do so. This resulted in a total of 1.9 million of the Company's ordinary shares being acquired during FY20.

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

The Group has experienced a reduction in activity levels as a result of the Melbourne Stage 4 restrictions that came into force in August 2020 due to the increase in Covid-19 transmissions in Victoria. However, this reduction is not as severe as the impact that was experienced in the last quarter of FY20. Management have again moved quickly to match staffing levels to demand and therefore do not anticipate there to be a material impact to the Groups performance in FY21 at time of release of this report.

Otherwise, the Directors are not aware of any matter or circumstance that has occurred since the end of the 2020 financial year that has significantly affected or may significantly affect the operations of the Group, the results of these operations or the state of affairs of the Group in subsequent financial years.

Likely Developments, Business Strategies and Prospects

Australia
The Company's focus 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
The Company has no plans for international expansion and has exited all arrangements with its previous interests in China.

Environment Regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental 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 are 29,400,000 unissued ordinary shares of the Company under option and 4,080,342 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
During the financial year, nil options were exercised.

Indemnification and Insurance

Indemnification of directors and officers

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

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

Insurance Premiums

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

Rounding of Amounts

The Company is a type of company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000, or in certain cases, to the nearest dollar.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21 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 35 to the financial statements.

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

The directors are of the opinion that the nature and the scope of the non-audit services as disclosed in Note 35, do not compromise the external auditor's independence.

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 2020.

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 Australia 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, 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. They comprise:

- Non-Executive Directors
- Executive Director
- Other Senior Executives considered KMP (collectively the "Senior Executives").

Name	Role	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
Mr A Harrison	Non-Executive Director	Appointed 1 July 2019 Resigned 25 May 2020
Executive Director		
Mr J Walter	Managing Director	Appointed 1 July 2019
Mr A Harrison	Managing Director	Resigned 30 June 2019
Senior Executive		
Ms M Judkins	Chief Financial Officer (CFO)	Full Financial Year

1.2 Remuneration Policy

The objective of the Company's remuneration strategy 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 Company's remuneration strategy 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 Company, 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- and long-term incentives reflecting a balance of financial and non-financial objectives relevant to the non-operating nature of the Company and specific executive roles.

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

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

1.3 Executive Director and Senior Executive Component and Pay Mix

The Company'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- and long-term incentive opportunities. Executive remuneration levels, including the Managing Director (MD) and 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	Options / Performance Rights

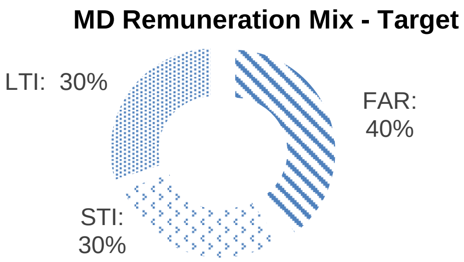
The compensation structures take into account:

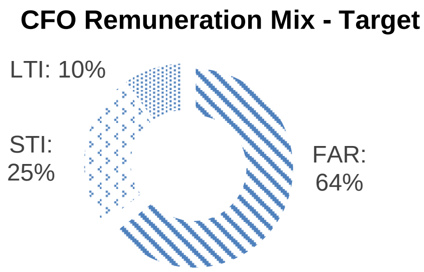
a) the capability and experience of the KMP;
b) the KMP's ability to control the relevant segments performance;
c) the Group's performance including:
  i. the Group's earnings; and
  ii. the growth in share price and delivering constant returns on shareholder wealth.

The table below sets out the elements of the KMP remuneration, the performance measures and alignment with the Company's strategy.

Executive Remuneration Components	Fixed Annual Remuneration (FAR)	Short-Term Incentives (STI) for MD and Senior Executives	Long-Term Incentives (LTI) for MD and Senior Executives
Strategic Intent	Attract and retain executives with capability and experience to deliver on the Company's strategy	Performance incentive directed to achieving Board approved targets	Align performance with the long-term business strategy and shareholders experience
Performance Measure	FAR is set based on market activities, reflecting responsibilities, qualification, experience and effectiveness	STI performance criteria set by reference to: • Financial metric • Strategic objectives • Individual performance and effort relevant to the specific objective	LTI vesting and granting subject to set KPI service and performance
Delivery	Cash Payment	Cash Payment MD: up to 100% of STI may be taken in equity	MD: Performance Rights CFO: Options

The charts below provide a summary of the structure of executive remuneration in FY20:





1.4 Executive Director

The Executive Director's remuneration package was set from 1 July 2019 and comprises FAR, STI and an annual grant of Performance Rights subject to dealing restrictions.

1.5 Senior Executives

The Senior Executive remuneration package comprise FAR, STI and LTI. The STI component is considered appropriate and provides the Managing Director with a management tool to set annual priorities in the context of the Company's longer-term strategic plans reinforced through the attachment of an incentive. Some Company objectives are weighted differently depending on the expected level of input and responsibilities

1.6 Remuneration Governance

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

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

2. Company Performance and Executive Remuneration Outcomes

2.1 Company Performance

The Group performed well and in line with targets for the first nine months of the financial year, however performance was negatively impacted by the restrictions imposed to manage the Covid-19 pandemic in the latter part of March through to the end of the financial year. This was demonstrated by a significant decline in revenue, of up to 40% on some days in May and April, returning sharply to 5 -10% declines compared to the same time prior year once elective surgery and Covid-19 restrictions were relaxed. During this time management moved swiftly to conserve the cash burn and to reduce the opex cost-base to reflect the lower levels of demand. These changes were implemented prior to announcement of the government assistance and were managed daily to optimise and balance the risk of cost and the service delivery to patients.

Overall, the Group's operating revenue from continuing operations increased 3.0% over the preceding year, primarily as a result of organic growth, the current year acquisition of Fowler Simmons Radiology and new clinic openings. Operating margin improved from 15.3% to 18.1% with focus on cost savings.

The Group's 2020 Operating EBITDA increased overall from $22.8m in 2019 to $36.4m in FY20 after AASB16 adjustment for rent payments of $8.6m. Decisions associated with the COVID- 19 has also led to a significant increase in cash operating activities from $18.3m to $28.7m, on a like for like basis due to the refund of certain taxes arising from Covid-19 concessions provided by the ATO, including income taxes that will be paid on finalisation of FY20 income tax return due Q2 FY21.

FY19 Net profit was impacted by the significant increase in the fair value of Enlitic. In FY20 the fair value of Enlitic decreased slightly due to small impacts related to COVID- 19 in the United States where Enlitic is based. The FY20 Net profit was also impacted by the review of the useful lives of assets which gave a one -off increase in depreciation during the year.

Whilst the Company deferred the payment of the FY20 Interim dividend to preserve cash flow as a result of the Covid-19 impact, the Company is ultimately able to pay dividends totalling 1.0 cents per share being 0.5 cent deferred FY20 Interim dividend and 0.5 cents Final declared FY20 dividend in the FY21 year.

The table below shows a summary of five-year results of the Group.

	Units	**2020**	**2019***	**2018**	**2017**
Net Profit/(Loss) for the financial year	$'000	1,088	$24,307	($10,913)	($4,684)
Dividends Paid	$'000	$7,719	$7,129	$3,210	$3,397
Share Price at beginning of the financial year	cents	23.0	26.0	16.0	76.5
Share Price at end of the financial year	cents	24.5	23.0	26.0	16.0
Change in Share Price	cents	1.5	(3.0)	10.0	(60.5)
Earnings Per Share (Basic)	cents	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 Company are awarded STI payments or bonuses in accordance with their individual contracts. During the 2020 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 Company's short-term objectives and are also consistent with the long-term strategy of the Company with financial and operational targets.

FY20 was a particularly challenging year due to the impact of COVID-19 to the business and the community at large. 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 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 achieved STI of $525,000 in respect of his performance during the 2020 financial year as performance hurdles were met. In addition, Ms Judkins as CFO achieved STI payments of $150,000 in respect of the 2020 financial year.

2.3 Performance against LTI measures

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

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

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

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.

2.3 Performance against LTI measures (continued)
As part of the Employee Incentive Plan:

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.

2019 Financial Year

- 1,000,000 employee options were granted to Ms M Judkins on 12 March 2019. The options, granted on 12 March 2019 had a weighted average exercise price of 23.72 cents, with Tranche 1 (50% of the options) vesting 24 months from the grant date on 12 March 2021 and Tranche 2 (50% of the options) vesting 36 months from the grant date on 12 March 2022 and the shares issued on exercise to rank equally with all other shares on issue. Total valuation on grant date $60,000.
- 1,744,765 Performance rights were granted to Mr A Harrison in November 2018 in respect of the FY19 year. These performance rights lapsed following his resignation as CEO and Managing Director on 1 July 2019. Total valuation on grant date $418,700.
- 1,500,000 employee options issued to Mr K Birchall on 15 June 2018 were cancelled on him ceasing employment in February 2019 and did not vest. Total valuation on grant date $159,300.

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.

2.4 Remuneration Decisions and Outcomes for FY20

In response to Covid-19 the KMP forewent 50% of their salaries in April and May 2020. Details of the nature and amount of each major element of KMP remuneration is set out in the table below:

Key Manager Name/Financial Year	Short-Term Salary & Fees $	Short-Term STI Cash Bonus [#1] $	Short-Term Other Benefits [#2] $	Termination Benefits $	Post-Employ Super-annuation Benefits $	Long-term Long Service Leave $	Share-Based Options & Performance Rights $	Total $	Perform-ance Related %	Share-Based Share of Total %
2020										
Executive Director										
Mr J Walter	592,028	525,000	45,312	-	24,519	2,297	92,827	1,281,983	48.2%	7.2%
Senior Executives										
Ms M Judkins	328,474	212,460	32,436	-	25,000	2,050	25,152	625,573	38.0%	4.0%
Total	**920,502**	**737,460**	**77,748**	**-**	**49,519**	**4,347**	**117,979**	**1,907,557**	44.8%	6.2%
2019										
Executive Director										
Mr A Harrison[#7]	674,255	239,839	10,565	-	20,531	(3,110)	23,348	965,428	27.3%	2.4%
Senior Executives										
Ms M Judkins[#3]	134,960	-	5,874	-	4,500	-	7,559	152,893	4.9%	4.9%
Mr J Walter[#4]	57,885	-	4,453	-	-	-	-	62,338	0.0%	0.0%
Ms M Gibson[#5]	272,789	-	9,929	-	18,162	10,282	4,083	315,245	1.3%	1.3%
Mr K Birchall [#6]	174,546	-	-	184,753	13,038	(4,993)	(4,001)	363,343	-1.1%	-1.1%
Total	1,314,435	239,839	30,821	184,753	56,231	2,179	30,989	1,859,247	14.6%	1.7%

#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 Ms M Judkins commenced as CFO on 29 January 2019.
#4 Mr J Walter commenced as MD 1 July 2019 and as COO on 6 May 2019.
#5 Ms M Gibson ceased being KMP on 3 May 2019, following the appointment of Mr J Walter as COO.
#6 Mr K Birchall exit date from the Group was 4 February 2019 and options granted to him were forfeited on that date.
#7 Mr Harrison resigned as MD on 30 June 2019. He was appointed Non-Executive director on 1 July 2019 and resigned 25 May 2020.

2.5 Actual Remuneration Earned by Executives in FY20

The actual remuneration earned by KMP is set out in the table below. This provides shareholders with a view of the remuneration actually paid to executives for performance in FY20 and the value of LTI's that vested during the period. Mr Walter and Ms Judkins forwent 50% of their fixed remuneration for two months in response to the impact of the Covid-19 pandemic.

	Fixed Remuneration[1] $	Termination Payments $	STI $	LTI Vested $	Total Actual Remuneration Earned $
Mr J Walter	616,547	-		-	616,547
Ms M Judkins	353,474	-	62,460	-	415,934

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 2017 Annual General Meeting, shareholders approved a maximum aggregate remuneration of $600,000 per annum for Non-Executive Directors. A total of $433,054 was paid in Non-Executive Director fees in 2020.

The Company'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 FY20 are shown below:

Board Fees	Chair	Member
Base fee	$250,000	$100,000
Board Committee Fees	**Chair**	**Member**
Audit and Risk	$10,000	-
Remuneration	$10,000	-

All Non-Executive Directors enter into a service agreement with the Company 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.

In addition, with effect from 1 June 2020 Non-Executive Director remuneration base fees increased from $100,000 to $110,000 and the Chair of Committee fees increased from $10,000 to $15,000. There was no increase in the base fee for the Chair of the Board.

Non-Executive Directors forwent 50% of their fixed remuneration for two months in response to the impact of the Covid-19 pandemic.

3.3 Non-Executive Director Shareholdings

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
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
2019					
Mr A Demetriou	150,000	50,000	-	-	200,000
Mr R Loveridge	200,000	354,271	-	-	554,271

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

As a result of Covid-19 director fees were reviewed down by 50% for two months.

Non- Executive Directors	Board & Committee Fees $	Superannuation $	Transition Fee $	Total $
2020				
Mr A Demetriou	238,750	-	-	238,750
Ms N Sheffield	91,061	551	-	91,612
Mr R Loveridge	93,783	8,909	-	102,692
Mr A Harrison[1)]	-	13,329	715,096	728,425
	423,594	**22,789**	**715,096**	**1,161,479**
2019				
Mr A Demetriou	260,000	-	-	260,000
Ms N Sheffield	100,000	-	-	100,000
Mr R Loveridge	91,324	8,676	-	100,000
	451,324	8,676	-	460,000

[1)]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 Reconciliation of Ordinary Shares held by Executive Director and Senior Executives

Executive Director and Senior Executives	Shares held at 1 July	Acquired during the year	Sold during the year	Held at appointment/ resignation	Shares held at 30 June
2020					
Mr A Harrison[1)]	7,069,923	102,092	(1,600,000)	5,572,015	n/a
2019					
Mr A Harrison	3,575,773	3,494,150	-	-	7,069,923

[1)]Mr Harrison resigned as Managing Director on30 June 2019 and was appointed a Non-Executive Director on 1 July 2019

4.2 Reconciliation of Options and Performance Rights held by KMP

Executive Director and Senior Executives	Type	Number held at 1 July	Granted	Forfeited	Converted	Number held at 30 June
2020						
Ms M Judkins	Options	1,000,000	-	-	-	1,000,000
Mr J Walter	Performance Rights	-	2,385,280	-	-	2,385,280
2019						
Mr A Harrison[1)]	Options	10,000,000	-	-	(10,000,000)	-
	Performance Rights	1,695,062	1,744,765	-	-	3,439,827
Mr K Birchall[2)]	Options	1,500,000	-	(1,500,000)	-	-
Ms M Gibson[3)]	Options	1,000,000	-	-	-	1,000,000
Ms M Judkins	Options	-	1,000,000	-	-	1,000,000

[1)]Mr Harrison resigned as Managing Director 30 June 2019 and appointed Non-Executive director on 1 July 2019 at which date his FY19 performance rights lapsed
[2)]Mr K Birchall exit date from the Group was 4 February 2019 and the options granted to him were forfeited on that date
[3)]Ms M Gibson ceased being a KMP on 3 May 2019 following the appointment of Mr J Walter as COO

4.3 Managing Director and Senior Executive Service Agreements

The Managing Director and Senior Executives all have written agreements with the Company setting out the terms of their employment. Key terms of employment for the other Executive KMPs are formalised in an Employment Agreement. The major provisions of those agreements relating to remuneration 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
Ms M Judkins	Ongoing	6 months	6 months

4.3.1 Managing Director

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

- FAR of $700,000 per annum effective 1 July 2019 (inclusive of superannuation)
- Maximum STI of 75% of FAR subject to achievement of agreed key performance indicators aligned with shareholders' interests
- Eligibility to participate in LTI up to 75% 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

An amended service contract for Mr A Harrison, was agreed on 28 August 2018. Under the terms of this contract, as the Managing Director he received:

- FAR of $700,000 per annum effective 28 August 2018
- Maximum STI of 75% of FAR subject to achievement of agreed key performance indicators
- Eligibility to participate in LTI up to 75% of FAR in the form of performance rights subject to appropriate service and performance hurdles and to receiving appropriate shareholder support
- Mr Harrison resigned as Managing Director on 30 June 2019

Following Mr Harrison's resignation as Managing Director, he received a Transition Fee of $715,096 in respect of the services he delivered during FY20.

4.4 Share Trading and Hedge Prohibition

Performance Rights granted under the Company's LTI plan must remain at risk until fully vested. This is consistent with the Company'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; or
- Trading in derivative products over the Company's securities or entering into transactions in products that limit the economic risk of their security holdings in the Company.

4.5 Clawback Policy

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

4.6 Other Transactions and Balances with KMP and their Related Parties

During the financial year the Company had no other transactions with Key Management Personnel or their related parties.

No loans have been made to KMP during the 2020 financial year

This is the end of the audited Remuneration Report.

Corporate Governance

The Company's 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
Melbourne, Victoria
26 August 2020

Deloitte.

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26 August 2020

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

Dear Board Members

Capitol Health Limited

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

As lead audit partner for the audit of the financial statements of Capitol Health Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the 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 2020

	Notes	2020 $000	2019 Restated* $000
Continuing Operations			
Revenue	5	153,791	149,238
Wages, contractor costs and salaries	6.1	(91,729)	(94,251)
Occupancy costs		(4,318)	(10,962)
Medical equipment and consumable supplies		(8,901)	(9,049)
Service costs		(12,485)	(12,176)
Transaction and Restructure Costs		(3,053)	(3,990)
Revaluation/(impairment) of financial assets	7	(1,619)	19,915
Operating Profit before Finance Costs, Income Tax, Depreciation and Amortisation		31,686	38,725
Depreciation and amortisation	6.2	(26,025)	(8,900)
Profit before Finance Costs and Income Tax		**5,661**	29,825
Net finance costs	8	(3,498)	(1,655)
Profit before Income Tax		**2,163**	28,170
Income tax expense	9	(1,075)	(3,863)
Profit for the Year		**1,088**	24,307
Attributable to:			
Equity holders of the parent		865	24,307
Non-controlling interests		223	-
Profit for the Year		**1,088**	24,307
Other Comprehensive Income			
Profit for the year		**1,088**	24,307
Interest rate derivative		(44)	(9)
Other comprehensive income, net of tax		**(44)**	(9)
Total Comprehensive Income		**1,044**	24,298
Attributable to:			
Equity holders of the parent		821	24,298
Non-controlling interests		223	-
Total Comprehensive Income		**1,044**	24,298
Basic Earnings per share (cents)	22	0.11	3.09
Diluted Earnings per share (cents)	22	0.10	2.95

*Certain amounts do not correspond to the 2019 financial statements and reflect adjustments made - refer to note 2.8.

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 2020

	Notes	**2020** $000	2019 Restated* $000
Assets			
Cash and cash equivalents	10	13,763	7,330
Trade and other receivables	11	5,493	2,662
Other financial assets	12	277	256
Tax receivable		-	1,273
Other assets		767	683
Total Current Assets		**20,300**	12,204
Plant and equipment	13	40,820	42,544
Right-of-use assets	23	54,729	-
Intangible assets	14	117,949	101,994
Other financial assets	12	22,138	20,408
Other receivables		630	1,166
Deferred tax asset	9.3	5,741	4,499
Total Non-Current Assets		**242,007**	170,611
Total Assets		**262,307**	182,815
Liabilities			
Trade and other payables	15	16,967	10,625
Lease liabilities	23	9,640	2,005
Employee benefit liabilities	17	10,828	11,115
Income tax liability		2,751	-
Total Current Liabilities		**40,186**	23,745
Borrowings	16	17,000	38,750
Lease liabilities	23	52,702	4,906
Other financial liability		3,698	-
Provisions	18	1,340	1,170
Employee benefit liabilities	17	852	844
Deferred tax liability	9.3	2,490	2,194
Total Non-Current Liabilities		**78,082**	47,864
Total Liabilities		**118,268**	71,609
Net Assets		**144,039**	111,206
Equity			
Issued capital	19	145,776	107,632
Reserves	20	2,694	1,374
Accumulated profits/(losses)		(4,654)	2,200
Equity Attributable to Owners of the Parent		**143,816**	111,206
Non-controlling Interests		223	-
Total Equity		**144,039**	111,206

*Certain amounts do not correspond to the 2019 financial statements and reflect adjustments made - refer to note 2.8

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 2020

	Notes	2020 $000	2019 $000
Operating Activities			
Receipts from customers		155,044	150,398
Payments to suppliers and employees		(117,456)	(125,890)
Interest received		26	90
Interest and other finance charge on borrowings		(1,895)	(1,883)
Interest on lease liabilities	23	(1,968)	-
Income tax (paid)/refunded		1,258	(4,385)
Net cash flows from operating activities	34	**35,009**	18,330
Investing Activities			
Purchase of plant and equipment		(12,165)	(14,747)
Payments for business acquisitions, divestment, investments including transaction costs		(20,680)	(35,568)
Net cash flows used in investing activities		**(32,845)**	(50,315)
Financing Activities			
Net proceeds on issue of share capital	19	38,501	-
Payments of share buy-back and costs	19	(357)	(9,667)
Proceeds/(repayment) of secured loans		(21,750)	38,750
Proceeds on exercise of options		-	1,785
Payment of dividend	21	(3,842)	(6,613)
Proceeds for equipment financing		-	4,553
Cash payment of lease liabilities	23	(8,283)	(1,630)
Net cash flows from financing activities		**4,269**	27,178
Net decrease in cash and cash equivalents		**6,433**	(4,807)
Cash and cash equivalents at beginning of the year		7,330	12,137
Cash and cash equivalents at end of the year	10	**13,763**	7,330

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 2019 (restated*)

	Issued Capital	Reserves	Accumulat -ed profit/ (losses)	Total	Non-controlling Interests	Total Equity
Balance at						
1 July 2018	**114,879**	**762**	**(14,978)**	**100,663**	**-**	**100,663**
Comprehensive Income/Loss						
Profit for the year	**-**	-	24,307	**24,307**	**-**	**24,307**
Other Comprehensive Income for the year	-	(9)	-	(9)	-	(9)
Total Comprehensive Income	**-**	**(9)**	**24,307**	**24,298**	-	**24,298**
Transactions with Equity Holders						
Share buy-back and costs	(9,667)	-	-	(9,667)	-	(9,667)
Dividend paid	-	-	(6,613)	(6,613)	-	(6,613)
Shares issued through DRP	516	-	(516)	**-**	**-**	**-**
Exercise of options	1,785	-	-	1,785	-	1,785
Conversion of issued options	119	(119)	-	**-**	**-**	**-**
Allocation of issued options	-	740	-	740	-	740
Total Transactions with Equity Holders	**(7,247)**	**621**	**(7,129)**	**(13,755)**	-	**(13,755)**
Balance at						
30 June 2019	**107,632**	**1,374**	**2,200**	**111,206**	**-**	**111,206**

For the Year Ended 30 June 2020

	Issued Capital	Reserves	Accumulat -ed profit/ (losses)	Total	Non-controlling Interests	Total Equity
Comprehensive Income/Loss						
Profit for the year	-	-	865	**865**	223	**1,088**
Other Comprehensive Income for the year	**-**	(44)	-	**(44)**	-	**(44)**
Total Comprehensive Income	**-**	**(44)**	865	**821**	223	**1,044**
Transactions with Equity Holders						
Share buy-back and costs	(357)	-	-	**(357)**	**-**	**(357)**
Dividend paid	-	-	(7,719)	**(7,719)**	**-**	**(7,719)**
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)**
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**

*Certain amounts do not correspond to the 2019 financial statements and reflect adjustments made - refer to note 2.8

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) is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial report of the Company for the year ended 30 June 2020 comprises the Company and its subsidiaries (together referred to as the Group).

1.2 Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group.

The financial statements were approved by the Board of Directors on 26 August 2020.

1.3 Corporate Information

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 27. Information on other related party relationships of the Group is provided in Note 31.

1.4 Going Concern

The financial statements have been prepared on a going concern basis. For the year ended 30 June 2020, the consolidated entity made a net profit after tax of $1.1m (2019: Profit after restatement $24.3m) and had net current liabilities of $19.9m (2019 after restatement: $11.5m).

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

i) the consolidated entity has a $154m secured debt facility from the National Bank of Australia, $60m of which was renewed in May 2020 for a two-year period until May 2022. As a result, the consolidated entity will have sufficient working capital to enable it to meet its objectives and financial obligations. Net available funding available through our banking facilities total $131.4m

ii) the consolidated entity generated net operating cash inflow for the year ended 30 June 2020 of $37.0m (2019: $18.3m). As the business was impacted by Covid-19, income taxes, including instalment activity, paid during the year were refunded by the ATO. This resulted in total positive cash flow that will be paid by the Group in first half of FY21 on finalisation of its income tax return.

iii) the Company undertook a $40.0m equity raising in April 2020 (pre-costs) which has provided a strengthened balance sheet, capital flexibility, increased liquidity and a reduction in net debt that further enables the consolidated entity to meet its objectives and financial obligations.

The directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements as at 30 June 2020. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

2. Significant Accounting Policies

2.1 Basis of Preparation

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.

Compliance with International Financial Reporting Standards

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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 the Company and the Group is the Australian Dollar.

2.3 Rounding

The entity is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and accordingly the amounts in these financial statements have been rounded off to the nearest thousand dollars ($000) or in certain cases to the nearest dollar.

2.4 Comparative Information

The consolidated financial statements provide comparative information in respect of the previous period. 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 the Company and its subsidiaries as at 30 June 2020. 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 over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- ►Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- ►Exposure, or rights, to variable returns from its involvement with the investee
- ►The ability to use its power over the investee to affect its returns

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 and included in 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.

The Group's investment in its associate and joint venture 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 Company's share of the results of operations of the associate or joint venture. 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 its 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 current when it is:

- ► 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 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

The Group classifies all other liabilities as non-current.

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

2.6.4 Fair Value Measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, 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 uses 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 properties 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 26
►Quantitative disclosures of fair value measurement hierarchy Note 26
►Investment in non-listed equity shares Note 12 and Note 23
►Financial instruments (including those carried at amortised cost) Note 26

2.6.5 Revenue

Revenue from Services Provided

The Group is in the business of providing diagnostic imaging services to the Australian healthcare market, through the operation of clinics in Victoria, Tasmania and Western Australia. Revenue 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 countries 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 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.

The head entity within the tax-consolidated entity is Capitol Health Limited. All members of 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. As per the corporate laws of Australia, a distribution is authorised when it is approved by the shareholders. 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 over the estimated useful lives as follows:

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

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

2.6.10 Leases

From 1 July 2019

Group as a lessee

The Group has 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 is 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 (i.e. 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 23.

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.

Pre 30 June 2019 - Group as a lessee

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

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

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.

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 26.2.

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.

2.6.13 Financial Instruments (Continued)

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.

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:

2.6.13 Financial Instruments (Continued)

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 is the category most relevant to the Group. 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.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 16.

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.

2.6.13 Financial Instruments (Continued)

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

The sole derivative financial instrument held by the Group is an interest rate swap that is used as a cash flow hedge to, in part, cover the cash flow variability of interest rate risks. 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 24

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.

2.6.15 Impairment of Non-Financial Assets(continued)

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 tested for impairment annually in June and when circumstances indicate that the carrying value may be impaired.

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 in June 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.

2.6.17 Treasury Shares

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.

2.6.18 Provisions (continued)

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 25.

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.

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 22).

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 is eligible for the JobKeeper assistance programme and has claimed a total amount of $5.4m to 30 June 2020. 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

In the current year, the Group adopted the following new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that were effective for the financial year beginning 1 July 2019:

• *AASB16 Leases*
Refer note 23 Right-of-use asset for the impact of adopting AASB16 on the Group.

The Group has adopted Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatment from 1 July 2019. The adoption of Interpretation 23 does not have a material impact on the financial statements of the Group.

2.7.2 Standards Issued but not yet Adopted

The Standards and Interpretations that were issued and available for early adoption but not yet effective are listed below including the Group's assessment of the impact of these standards and interpretations. The Group has not early adopted these standards.

Standard and Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB10 & AASB128], AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 1- and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022	30 June 2023
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of Business	1 January 2020	30 June 2021
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020	30 June 2021
AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform	1 January 2020	30 June 2021
AASB 20190-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1 January 2020	30 June 2021

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

2.8 Correction of accounting treatment

Contingent consideration under AASB 3 Business Combinations has been identified as being incorrectly treated in the Group's 2019 Annual Report relating to businesses acquired in FY18 and FY19.
The impact of this treatment on the 30 June 2019 results is an overstatement of goodwill of $5.3m, an overstatement of deferred consideration of $0.9m and the overstatement of profit before tax of $4.4m.

There is no impact on the cash flow position of the Group reported at 30 June 2019 as the adjustment represents a non-cash entry.

The accounting treatment has been corrected by restating each of the affected financial statement line items for the prior period as follows

Impact of Statement of Financial Position

	Originally reported 30 June 2019 $000	Restatement Adjustment $000	Restated 30 June 2019 $000
Total Current Assets	**12,204**	**-**	**12,204**
Non-Current Assets			
Plant & Equipment	42,544	-	42,544
Intangible Assets	107,294	(5,300)	101,994
Other Financial Assets	20,408	-	20,408
Other Receivables	1,166	-	1,166
Deferred Tax Asset	4,499	-	4,499
Total Non-Current Assets	**175,911**	**(5,300)**	**170,611**
Total Assets	**188,115**	**(5,300)**	**182,815**
Current Liabilities			
Trade and Other Payables	11,498	(873)	10,625
Interest-Bearing Loans and borrowings	2,005	-	2,005
Employee Benefit Liabilities	11,115	-	11,115
Total Current Liabilities	**24,618**	**(873)**	**23,745**
Total Non-Current Liabilities	**47,864**	**-**	**47,864**
Total Liabilities	**72,482**	**(873)**	**71,609**
Net Assets	**115,633**	**(4,427)**	**111,206**
Equity			
Issued Capital	107,632	-	107,632
Reserves	1,374	-	1,374
Accumulated Profits/(Losses)	(20,907)	(1,200)	(22,107)
Current year	27,534	(3,227)	24,307
Equity Attributable to Owners of the Parent	**115,633**	**(4,427)**	**111,206**

Impact on Statement of Changes in Equity

	Issued Capital $000	Reserves $000	Retained Earnings $000	Total $000	Restatement Adjustment $000	Total Equity $000
At 1 July 2018	114,879	762	(13,778)	**101,863**	(1,200)	**100,663**
Profit/(Loss) for the period	-	-	27,534	**27,534**	(3,227)	**24,307**
Other Comprehensive income	-	(9)	-	**(9)**	-	**(9)**
Total Transaction with Equity holders	(7,247)	621	(7,129)	**(13,755)**	-	**(13,755)**
At 30 June 2019	**107,632**	**1,374**	**6,627**	**115,633**	**(4,427)**	**111,206**

2.8 Correction of accounting treatment (continued)

Impact on statement of profit or loss

	Originally reported 30 June 2019 $000	Restatement Adjustment $000	Restated 30 June 2019 $000
Total Revenue	**149,238**	**-**	**149,238**
Wages, Contractor costs and Salaries	(91,024)	(3,227)	(94,251)
Occupancy costs	(10,962)	-	(10,962)
Medical equipment and consumable supplies	(9,049)	-	(9,049)
Service costs	(12,176)	-	(12,176)
Transaction Costs	(3,990)	-	(3,990)
Revaluation of Financial Assets	19,915	-	19,915
Depreciation and Amortisation	(8,900)	-	(8,900)
Net Finance Costs	(1,655)	-	(1,655)
Profit/(Loss) before Income Tax	**31,397**	**(3,227)**	**28,170**
Income Tax	(3,863)	-	(3,863)
Profit/(Loss) after Tax	**27,534**	**(3,227)**	**24,307**

Impact on basic and diluted earnings per share (EPS)

	Originally reported 30 June 2019	Restatement Adjustment	Restated 30 June 2019
Earnings per share			
Basic earnings per share (cents)	3.50	(0.41)	3.09
Diluted earnings per share (cents)	3.35	(0.41)	2.94

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.

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

(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 2020, has been set at fair market value based on an independent expert valuation report. The fair value assessed at 30 June 2020 may be impacted by subsequent events that could have a material impact on this valuation. The prior period valuation of Enlitic, was based on the share price paid during the capital raising in 2019 which was offered to sophisticated investors on arm's length terms.

(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 includes an assessment of the expected impact of Covid-19 on expected loss rates. 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) 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.

(vi) 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.

(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 25.

(viii) 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 26.

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

(ix) Assessment of lease life
Under AASB 16 *Leases* the determination of the life of the lease recognises, where lease options exist, the life of the lease in addition to one lease option.

The detailed information about the significant judgements is included in:

- estimation of Goodwill Impairment at Note 2.6.1 5 and Note 24,
- recognition of lease extension options at Note 23.1 iv).

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, the Group's capital management, amongst other things aim 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.

The Company continues to buy-back its shares under the arrangement announced on 18 August 2017 and at 30 June 2020 has the ability to buy-back a further 27,100,438 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:

	2020 $000	2019 $000
Major service category		
Diagnostic imaging services	153,607	149,136
Other operating revenue	184	102
Total Revenue	**153,791**	149,238
Timing of revenue recognition		
Services transferred at a point in time	**153,791**	149,238

6. Other Income and Operating Expenses

6.1 Salaries and employee benefits expenses	2020 $000	2019 $000
Wages, contractor costs and salaries[1)]	(78,557)	(81,843)
Superannuation expenses	(5,571)	(4,580)
Employee leave entitlements	(6,877)	(7,088)
Share-based employment expense	(724)	(740)
	(91,729)	(94,251)

[1)]Includes $5.4m in respect of the JobKeeper government assistance programme

6.2 Depreciation and amortisation		2020 $000	2019 $000
Depreciation[1)]	13	(16,211)	(7,852)
Amortisation of right-of-use assets	23	(8,550)	-
Amortisation of intangible assets	14	(728)	(517)
Other amortisation		(536)	(531)
		(26,025)	(8,900)

[1)]Includes $5.9m relating to the reassessment of certain assets useful life.

7. Revaluation/(Impairment charge)

		2020 $000	2019 $000
Unlisted investments	12	(1,619)	19,915
		(1,619)	19,915

8. Net Finance Costs

	2020 $000	2019 $000
Interest income	26	90
Interest on borrowings	(1,640)	(1,342)
Establishment fee	(90)	-
Interest rate swap	(155)	(78)
Lease interest	(309)	(294)
Interest on right-of use liabilities	(1,659)	-
Other interest	(14)	(31)
Unrealised foreign exchange gain	343	-
	(3,498)	(1,655)

9. Income Tax

9.1 Income tax expense

	2020 $000	2019 $000
The major components of income tax expense are:		
Current income tax expense	(2,421)	(3,111)
Deferred income tax expense	1,346	(786)
Current income tax benefit - prior year	-	80
Current tax expense - from acquired subsidiary	-	(46)
Income tax expense reported in the statement of profit or loss	**(1,075)**	(3,863)

9.2 Reconciliation of income tax expense

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

	2020 $000	2019 $000
Accounting profit before income tax from:		
Continuing Operations	2,163	28,170
	2,163	28,170
Prima face income tax expense at 30% (2019: 30%)	(649)	(8,451)
Adjustments to current tax with respect to prior year	-	42
Tax effect of permanent differences:		
Net capital costs	(44)	(1,222)
Non-assessable income	178	510
Revaluation/(impairment) of unlisted investments	(486)	5,975
Valuation of share options granted	(217)	(221)
Other items	143	(496)
Income tax expense reported in statement of profit or loss	**(1,075)**	(3,863)
Income tax expense attributable to profit from:		
Continuing Operations	(1,075)	(3,863)
	(1,075)	(3,863)

9.3 Deferred tax assets and liabilities

	2020		2019	
	Items at pre-tax	**Items at post tax $000**	Items at pre-tax	Items at post tax $000
Deferred tax assets:				
Employee benefits	11,508	3,452	11,921	3,576
Intangibles	1,102	331	-	-
Leases	128	38		
Make good provision	525	157	-	-
Accrued expenses and other items	5,875	1,763	3,077	923
		5,741		4,499
Deferred tax liabilities:				
Intangible assets	(5,990)	(1,797)	(3,928)	(1,178)
Prepayments	(201)	(60)	(25)	(6)
Leases	(1,342)	(403)	(3,255)	(976)
Other Items	(766)	(230)	(112)	(34)
		(2,490)		(2,194)

9.3 Deferred tax assets and liabilities (continued)

	2020 $000	2019 $000
Net deferred tax asset	3,251	2,306
Movement represented by:		
Recognised in Profit or Loss	3,619	2,205
Recognised in Equity	524	-
Recognised in Business Acquisitions	(892)	101
	3,251	2,306

9.4 Unrecognised temporary differences

The Group has no unrecognised temporary differences at 30 June 2020 (2019: Nil).

9.5 Tax losses

The Group has no carried forward operating losses at 30 June 2020 (2019: Nil).

The Group had carried forward capital losses of $18,897,000 (2019: $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 Accounting a tax funding arrangement is in place between members of the Group under which payments to/from the Head Entity are recognised via an intercompany loan which is at call.

In the financial statements we have combined the tax obligations of the tax consolidated Group together with the tax obligations of Adelaide Radiology Pty Ltd to arrive at the total tax position as disclosed in the financial statements.

10. Cash and Cash Equivalents

	2020 $000	2019 $000
Cash on hand	17	16
Cash at bank	13,746	7,314
	13,763	7,330

11. Trade and Other Receivables

	2020 $000	2019 $000
Trade receivables	2,336	1,906
Allowance for expected credit loss	(155)	(115)
	2,181	1,791
Other receivables[1)]	3,312	871
	5,493	2,662

[1)] Includes amounts totalling $1.8m in relation to the JobKeeper assistance programme that were received in July.

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:

	2020 $000	2019 $000
Reconciliation of allowance credit losses		
Balance 1 July	115	115
Provision acquired	40	-
Amounts written off (uncollectable)	-	-
Impairment loss	-	-
Balance 30 June	**155**	115

12. Other Financial Assets

	2020 $000	2019 $000
Current		
Rental bonds – held to maturity	**277**	256
Non-current		
Investment in unlisted entity	**22,138**	20,408
Movement in Investment in unlisted entity		
Fair value – opening balance	20,408	-
Investment during the year	3,006	493
Unrealised foreign exchange gain	343	-
Revaluation/(Impairment charge)	(1,619)	19,915
Fair value – closing balance	**22,138**	20,408

The investment in unlisted entity is a level 3 financial asset as defined in 2.6.4 Fair Value measurement.

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

	Leasehold Improve-ments $000	Plant & Equipment $000	Other Operating Assets $000	Assets Under Construction (AUC) $000	Total $000
At 1 July 2018					
Net of accumulated depreciation	20,611	8,915	568	72	30,166
Additions	-	-	-	13,406	13,406
Reallocation from AUC to fixed assets	10,174	1,709	451	(12,334)	-
Acquired on acquisition	6,824	-	-	-	6,824
Depreciation for period	(6,752)	(956)	(144)	-	(7,852)
At 30 June 2019					
Net of accumulated depreciation	30,857	9,668	875	1,144	42,544
At 30 June 2019					
Cost value	61,386	14,893	2,176	1,144	79,599
Accumulated depreciation	(30,529)	(5,225)	(1,301)	-	(37,055)
Total	30,857	9,668	875	1,144	42,544

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). The Company has a contractual commitment for leasehold improvements of $212,000 payable in FY21.

14. Intangibles Assets

	Goodwill	Brands and Trademarks	Referrer Relationships	TOTAL
	$000	$000	$000	$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**

	Goodwill	Brands and Trademarks	Referrer Relationships	TOTAL
	$000	$000	$000	$000
At 1 July 2018	73,110	739	1,829	75,678
Acquisition of entities and businesses	23,907	-	2,496	26,403
Adjustment re prior year acquisitions[1)]	287	23	120	430
Amortisation charge	-	-	(517)	(517)
At 30 June 2019	97,304	762	3,928	101,994
Cost value	97,304	762	4,545	102,611
Accumulated amortisation & impairment	-	-	(617)	(617)
Total at 30 June 2019	97,304	762	3,928	101,994

[1)]Adjustment on finalisation of acquisition accounting re Radiology Tasmania in 2019

Details of the acquisition of entities and businesses is included in Note 24.

The Brand and Trademarks 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

	2020	2019
	$000	$000
Current		
Trade creditors	1,966	562
Other creditors and accruals	15,001	10,063
	16,967	10,625

16. Borrowings

	2020 $000	2019 $000
Non-current		
Borrowings	17,000	38,750
	17,000	38,750

Bank facilities

The Group's current loan facility with National Australia Bank commenced in May 2018. During the year the Group drew down on and made repayments to the facility, resulting in net amount outstanding at 30 June 2020 of $17 million. In addition, the $60 million Cash advance facility was renegotiated to 30 May 2022. The equipment leasing facility was increased to $15 million during the year.

The bank facility totalling $154 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 5 years
- Overdraft and bank guarantee facilities with limit of $9 million
- Equipment leasing facilities $15 million
- Accordian facility up to $30 million (uncommitted)

In accordance with Australian Accounting Standards, loan establishment fees have been capitalised and are being amortised over the life of these facilities.

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
At 30 June 2020			
Secured bank loan	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**
At 30 June 2019			
Secured bank loan	130,000	38,750	91,250
Equipment financing	5,000	4,553	447
Overdraft	5,000	-	5,000
Bank guarantee facility	4,000	1,035	2,965
At 30 June 2019	144,000	44,338	99,662

17. Employee Benefit Liabilities

	2020 $000	2019 $000
Current		
Annual leave	5,683	5,933
Long service leave	5,145	5,182
	10,828	11,115
Non-current		
Long service leave	852	844
	852	844

18. Provisions

	2020 $000	2019 $000
Non-current		
Lease property make good allowance	**1,340**	1,170

19. Issued Capital

	2020 $000	2019 $000
Issued Capital	**145,776**	107,632

	2020		2019	
	Number of shares	**$000**	Number of shares	$000
Balance at 1 July	768,444,825	107,632	795,964,199	114,879
Exercise of options	-	-	10,000,000	1,785
Dividend reinvestment plan	-	-	1,837,442	516
Share placement and share purchase plan	248,996,426	40,000	-	-
Shares issued on acquisition	6,901,313	-	-	-
Share issue costs	-	(1,499)	-	-
Share buy-back	(1,745,370)	(357)	(39,356,816)	(9,667)
Conversion from Share Option Reserve	-	-	-	119
Balance at 30 June	**1,022,597,194**	**145,776**	768,444,825	107,632

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

The Group operates share option schemes under which options to subscribe for the Group's shares have been granted to certain senior executives and doctors. Refer to Note 25 for further details.

Share options exercised are settled using treasury shares of the Group. The reduction in the treasury share equity component is equal to the cost incurred to acquire the shares, on weighted average basis.

During the financial year to 30 June 2020 nil options were exercised. In the 2019 financial year Treasury Shares purchased in 2018 in order for the Company to satisfy its obligations under the Capitol Health Limited Employees Incentive Plan were transferred to Mr Andrew Harrison upon him exercising his 10,000,000 options.

In April 2020 the company undertook a capital raise of $40m via a $30m share placement and $10m share purchase plan. The Group received a total of $38.5m of funds net of costs.

19 Issued Capital (continued)

Options and Performance Rights

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

	2020		2019	
	Number	**Weighted average exercise price (cents)**	**Number**	**Weighted average exercise price (cents)**
Balance at 1 July	32,839,827	28.96	42,095,062	26.78
Granted	2,385,280	-	2,744,765	23.72
Exercised	-	-	(10,000,000)	17.85
Forfeited	(1,744,765)	-	(2,000,000)	30.06
Balance at 30 June	**33,480,342**	**28.96**	32,839,827	28.96
Represented by:				
Options	29,400,000	28.96	29,400,000	28.96
Performance rights	4,080,342	-	3,439,827	-
Balance at 30 June	**33,480,342**	**28.96**	32,839,827	28.96

During the financial year 2,385,280 performance rights were issued pursuant to the Plan with the shares issued on exercise to rank equally with all other shares on issue as follows:

- 2,385,280 performance rights were granted to Mr Walter in respect of FY20 and were approved at the Company's Annual General Meeting on 19 November 2019. 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 performance rights granted to Mr Walter in FY20 depend on two equally weighted conditions over a 3-year period commencing from the financial year ending 30 June 2019, being:
    - Total shareholder return performance
    - Growth in earnings per share

During the 2019 financial year 2,744,765 performance rights and options were issued pursuant to the Plan with the shares issued on exercise to rank equally with all other shares on issue as follows:

- 1,000,000 options were granted on 22 March 2019 to Ms Judkins with 50% vesting on 11 March 2021 and 50% vesting on 11 March 2022 at an exercise price of 23.72 cents.
- 1,744,765 performance rights were granted to Mr Harrison in respect of FY19 and were approved at the Company's Annual General Meeting on 19 November 2018. 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 and as a result of his resignation as Managing Director on 30 June 2019, the FY19 performance rights have lapsed.
- The performance rights granted to Mr Harrison in FY18 depend on two equally weighted conditions over a 3-year period commencing from the financial year ending 30 June 2018, being:
    - Total shareholder return performance
    - Growth in earnings per share

20. Reserves

	Currency translation $000	Interest rate derivative $000	Option $000	Share-based payment $000	Total $000
Balance at 1 July 2018	-	-	762	-	762
Exchange differences on translation of foreign subsidiaries	(9)	-	-	-	(9)
Allocation of valuation options issued – current year	-	-	740	-	740
Amount transferred to Issued Capital on conversion of options	-	-	(119)	-	(119)
Movement for the financial year	(9)	-	621	-	612
Balance at 30 June 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 operation that the Company controls
ii)The Option Reserve accumulates the recognised values of the share options granted and that have not yet expired. Such value is included in the value of shares issued on the exercise of such options.

Other Comprehensive Income (OCI) Items, net of tax:
The disaggregation of changes in OCI by each type of reserve in equity is shown below:

As at 30 June 2020

	Currency translation $000	Interest rate derivative $000	Option $000	Retained Earnings $000	Total $000
Foreign exchange translation differences	9	-			9
Interest rate swap	-	(53)			(53)
	9	(53)			(44)

As at 30 June 2019

	Currency translation $000	Interest rate derivative $000	Option $000	Retained Earnings $000	Total $000
Foreign exchange translation differences	(9)	-	-	-	(9)
	(9)	-	-	-	(9)

21. Dividends

Total dividends paid on ordinary shares during the year

	2020		2019	
	Cents per share	$000	Cents per share	$000
Cash dividend on ordinary shares declared and paid				
Final dividend for 2019				
Cash	0.5	3,842	0.4	2,691
Dividend Reinvestment Plan	-	-	0.4	516
Interim dividend for 2020 - Cash	0.5	3,877	0.5	3,923
		7,719		7,130
Proposed dividend on ordinary share				
Final cash dividend	0.5	5,113	0.5	3,842

Since the end of the half year the Directors have declared a final dividend of $0.5 cents per share which is not recognised as a liability at 30 June 2020.

The Dividend Reinvestment Plan (DRP) is currently suspended.

22. 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 dilutive potential ordinary shares into ordinary shares.

22. Earnings per Share (EPS)(continued)

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

	2020 $000	2019 $000
Profit for the year	**1,088**	24,307
Non-controlling interest	**(223)**	-
Profit attributable to ordinary equity holders of the parent:	**865**	24,307
Weighted average ordinary shares used as the denominator in calculating:	**Number**	Number
Basic earnings	813,633,961	786,579,903
Effect of dilution from share options	33,747,340	35,485,029
Diluted earnings	847,381,301	822,064,932
	Cents	Cents
Earnings per share – Continuing operations:		
Basic	0.11	3.09
Diluted`	0.10	2.95

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

23. Leases

	2020 $000	2019 $000
Current		
Lease liabilities[1), 3)]	**9,640**	2,005
Non-current		
Lease liabilities[2), 3)]	**52,702**	4,906

[1)]Current Lease liabilities includes former known finance lease liability of $2.1m (2019: $2.0m)

[2)]Non-current lease liabilities includes former known finance lease liability of $3.9m (2019: $4.9m)

[3)]The contractual cash flows of historic finance lease liabilities at maturity including interest are disclosed at Note 26.

23.1 Leases as a lessee (AASB 16)

The Group leases medical 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. Previously these leases were classified as operating leases under AASB 117.

The Group leases diagnostic imaging equipment which were previously classified as operating leases under AASB 117. 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 and therefore the comparative information has not been restated and continues to be reported under AASB 117. Under the modified retrospective approach the right of use of an asset was be 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.

i) Reconciliation from AASB 117 to AASB 16

	Total
Operating lease commitments 30 June 2019 under AASB 117	$000
Property	25,485
Equipment	4,508
Operating lease commitments at 30 June 2019	**29,993**
Less: Short-term leases not recognised	(13)
Add: new leases entered into during the period	1,279
Add: Payments in optional renewal period not included in lease commitments at 30 June 2019	**29,855**
Less: Effect of discounting	**(6,187)**
Lease Liability at 1 July 2019	**54,927**

23.1 Leases as a lessee (continued)

ii) Reconciliation of movement of Right-of-use asset for year ended

	Property Leases	Equipment Leases	Total
	$000	$000	$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**

iii) Reconciliation of movement of lease liability for year ended

	Property Leases	Equipment Leases	Total
	$000	$000	$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)**

iv) Extension options

The Property leases in relation to the medical 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 operation 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.

v) 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 is 3.27%.

24 Business Combinations
24.1 Acquisitions

Acquisitions in 2020 financial year

Acquisition of Adelaide Radiology Pty Ltd

On 29 February 2020, the Group acquired 90% of the voting shares of 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 for musculoskeletal. 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 Australia 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 for the start of the year, revenue would have been $2.3m and profit before tax for the group would have been $2.3m.

Acquisitions in 2019 financial year

During the 2019 financial year the Group purchased the following entities and businesses and their contribution to revenue for the financial year is as shown below:

Date of acquisition	Business Name/ Legal entity	Acquired	Revenue $000
12 July 2018	Specialist Vein Care	Business assets[1]	513
16 July 2018	Spectrum Imaging	Business assets[1]	8,150
20 July 2018	Joremo Pty Ltd	Issued capital[2]	708
3 August 2018	Imaging Central	Business assets[1]	3,707
12 Sep 2018	Quinns Medical Imaging	Business assets[1]	1,449
3 November 2018	West Coast Radiology	Business assets[1]	2,650
22 March 2019	Uniradiology	Business assets[1]	1,280
			18,457

[1] Control obtained through purchase of the operating and legal business assets of the vendors and recognition of identifiable assets and liabilities

[2] Control obtained through purchase of 100% of the issued share capital of Joremo Pty Ltd (ACN 613 347 596) and recognition of identifiable assets and liabilities

Revenue and profit contribution from the date of acquisition to 30 June 2019:

The revenue generated by the acquired businesses for the year to 30 June 2019 from the date of acquisition has been broadly in line with expectations at $18.5m as shown in the above table. As the acquired businesses have been integrated into the existing business, it is not practically possible to calculate the profit contribution by the acquired businesses on a standalone basis.

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 the acquired business 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 in the table above.

24.2 Consideration

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

Acquisitions in 2020 financial year

The acquisition of Fowler Simmons Radiology (FSR) met the Group's objectives of establishing a foot-print in South Australia and using as a platform for future growth.

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	(607)
	16,806
Assumed:	
Net current assets acquired	(472)
-Employee Entitlements	53
-Make Good Provision	54
Other intangible asset	
- Referrer Relationship	(2,476)
- Brand Name	(496)
Recognition of Deferred Tax Asset	(66)
Recognition of Deferred Tax Liability	892
Fair value of net assets acquired	(2,511)
Non-controlling interest	251
Goodwill	14,546

The accounting for the acquisition of FSR 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.

Other intangible assets comprising the referrer relationship and brand name 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.

The Fowler Simmons Radiology brand name was assessed and considered to be a well-recognised and established brand with medical practitioners, medical specialists and end-user clients. The brand name is considered to have an indefinite life.

As part of the acquisition, there is an option for the vendor to require the Group to purchase the remaining 10% holding in FSR at a predetermined rate, 3 years from the date of acquisition. This arrangement has created a financial liability that has been valued at date of acquisition at $1.8m.

The acquisition was funded by way of bank loan and issue of shares in Capitol Health Limited.

In certain cases, where the contingent consideration was not met, and it was not in relation to employee salary and wages, the contingent consideration was reflected in the profit or loss statement.

24.2 Consideration (continued)

Acquisitions in 2019 financial year

The acquisitions in 2019 met the Group's objectives of establishing a foot-print in Western Australia and increasing market share in Victoria.

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

	Glen Waverley Vein	Spectrum Imaging	Joremo Pty Ltd	Imaging Central	Quinns Medical Imaging	West Coast Radiology	Uni-Radiology	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Payment for 100% of the Issued Shares in the Entity	-	-	2,904	-	-	-	-	2,904
Payment for Business Assets	1,800	9,524	-	3,974	750	4,977	8,004	29,029
Deferred & Contingent Consideration Payable	-	-	277	-	50	-	-	327
Assumed:								
-Employee Entitlements	10	124	9	67	48	80	130	468
-Make Good Provision	-	113	19	19	19	38	76	284
Net current assets acquired	-	-	(227)	-	-	-	-	(227)
Recognition of Plant & Equipment	-	(3,139)	(1,612)	(588)	(572)	(914)	(1,254)	(8,079)
Other intangible asset								
- Referrer Relationship	-	(879)	-	(491)	(58)	(1,068)	(1,319)	(3,815)
Recognition of Deferred Tax Asset	(3)	(37)	(3)	(20)	(14)	(24)	(39)	(140)
Recognition of Deferred Tax Liability	-	264	-	147	17	321	396	1,145
	1,807	5,970	1,367	3,108	240	3,410	5,994	21,896

The accounting for the acquisition of all of these businesses have now been finalised with independent valuation reports in respect of Uniradiology finalised and approved in the 31 December 2019 financial statements.

The plant and equipment and other intangible asset comprising the referrer relationship of all the finalised acquisitions were independently valued at acquisition. The plant and equipment are depreciated over their remaining useful life as detailed in Note 2.6.9.

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.

The acquisitions were funded by way of bank loans.

24.3 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 FY21 year and forecasts for a further 4 years which are extrapolated in perpetuity using a long-term average growth rate of 3% (2019: 3%) and terminal value growth rate of 2.5% (2019: 2.5%).

The discount rate (pre-tax) used to determine recoverable amounts as at 30 June 2020 for the CGU was 13.4% (2019: 13.6%). The discount rate includes the current actual cost of debt and equity cost based on market comparatives which is lower than prior year.

The revenue growth assumption was determined after reference to the historical annual growth since 2000 in the applicable sector markets which has averaged over 5% per annum in services performed and over 7% per annum in Medicare billings. While the Group experienced a minor growth slowdown during FY19, this stabilised in FY20 prior to the impact of Covid-19, with organic growth to the half year of 4%. The cash flow projections in respect of FY20 were considered in light of current and expected market conditions including the impact of Covid-19. 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 3%. The operating expense growth has also been conservatively estimated at 3% per annum after reference to an independent reputable economic forecasting service which estimates CPI of 1.6% for 2020 and 1.2% for 2021 and beyond. 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.

25 Share-Based Payments

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

The maximum number of awards that can be granted under the Plan is determined by the Board in its discretion and in accordance with the Plan and applicable law. Awards issued under the Plan can be 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).

25 Share-Based Payments (continued)

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 2,385,280 performance rights (2019: 1,000,000 options and 1,744,765 performance rights) were issued pursuant to the Plan to executives as listed in the Remuneration Report. The options are unlisted, and the exercise price and vesting information is contained in Note 19.

During the year 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 $1.8m and will vest over six years.

26 Financial Assets and Financial Liabilities

26.1 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 fin ancial liabilities are as follows:

$000	Note	Fair value through profit or loss*	Financial Assets #	Total
30 June 2020				
Financial Assets				
Other financial asset (current)		-	277	277
Other financial asset (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
		22,138	**19,533**	**41,671**

$000	Note	Fair value through profit or loss*	Other Liabilities #	Total
30 June 2020				
Financial Liabilities				
Non-current borrowings	16	-	17,000	17,000
Non-current lease liabilities	23	-	52,702	52,702
Other financial liability		3,698	-	3,698
Current lease liabilities	23	-	9,640	9,640
Trade and other payables	15	-	16,966	16,966
		3,698	**96,308**	**100,006**

$000	**Note**	**Fair value through profit or loss***	**Financial Assets #**	**Total**
30 June 2019				
Financial Assets				
Other financial assets (current)		-	256	256
Other financial assets (non-current)	12	20,408	-	20,408
Trade and other receivables	11	-	2,662	2,662
Cash and cash equivalents	10	-	7,330	7,330
Total		20,408	10,248	30,656

26.1 Categories of financial assets and liabilities (continued)

$000	Note	Fair value through profit or loss*	Other Liabilities #	Total
30 June 2019				
Financial Liabilities				
Non-current borrowings	16	-	38,750	38,750
Non-current lease liabilities	23		2,005	2,005
Current lease liabilities	23		9,640	9,640
Trade and other payables	15	-	10,625	10,625
Total		-	61,020	61,020

Carried at amortised cost

* Carried at fair value

26.2 Derivative Financial Instruments

Cash flow hedge

At 30 June 2020, the Company had an interest rate swap agreement as required under the loan facility documents in place with a notional amount of $10.0m (2019: $10.0m) representing 59% of total utilized loan facility. The swap is being used to hedge the exposure to changes to cash flows related to interest rates under the loan facility. Other than the cash flow hedge referred to above, the Group does not have any other derivative financial instruments.

26.3 Borrowings at Amortised Cost

Borrowings include the following financial liabilities:

	Current		Non-current	
	2020	2019	**2020**	2019
	$000	$000	**$000**	$000
Carrying amount at amortised cost:				
• External bank borrowings	-	-	17,000	38,750
• Lease liabilities	9,640	2,005	52,702	4,906
	9,640	2,005	**69,702**	43,656
Carrying amount at fair value:				
• External bank borrowings	-	-	17,000	38,750
• Lease liabilities	9,640	2,005	52,702	4,906
	9,640	2,005	**69,702**	43,656

External borrowings are secured by leasehold improvements and equipment owned by the Company (see Note 13). Current interest rates are variable and average 3.0% during the year (2019: 3.5%). The carrying amount of the external borrowings is considered to be a reasonable approximation of the fair value.

The carrying amount of the all borrowings is considered to be a reasonable approximation of the fair value.

26.4 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

26.5 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
2020						
Trade and other payables	-	14,397	2,570	-	16,967	16,967
Interest-bearing loans	2.98%	-	-	17,000	17,000	17,000
Lease liability	3.27%	389	1,139	60,814	62,342	62,342
		14,786	**3,709**	**77,814**	**96,309**	**96,309**
2019						
Trade and other payables	-	11,498	-	-	11,498	11,498
Interest-bearing loans	3.67%	-	-	38,750	38,750	38,750
Lease liability	4.92%	492	1,513	4,906	6,911	6,911
		11,990	1,513	43,656	57,159	57,159

26.6 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 and the utilisation of interest rate swaps. The 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. The Group is required under its loan facility to use interest rate swaps to hedge up to 50% of its outstanding bank debt where outstanding loans exceed $20m. At 30 June 2020, interest rate swaps covered 59% of outstanding debt (2019: 26%).

26.7 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 the Group's 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 the Group assesses the foreign exchange risk as low over the longer term. Based on the 30 June2020 valuation of the investment, a 0.1 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.

26.8 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 80-85% of the Group's business relates to bulk billed procedures that are reimbursed directly by the government, we assess the credit risk exposure as low.

27 Controlled Entities

	Country of Incorporation	Equity Interest 2020	Equity Interest 2019
Capital China Operations Pty Ltd	Australia	100%	100%
Capital China Radiology Pty Ltd	Australia	100%	100%
Capital Global Pty Ltd	Australia	100%	100%
Capital 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%
Capital Treasury Pty Limited	Australia	100%	100%
Capitol Health Holdings Pty Limited	Australia	100%	100%
CHL Operations Pty Ltd	Australia	100%	100%
Diagnostic MRI Services Pty Ltd	Australia	100%	100%
Diagnostic MRI Services Unit Trust	Australia	100%	100%
Eastern Radiology Services Pty Limited	Australia	100%	100%
Eastern Radiology Services Unit Trust	Australia	100%	100%
Imaging @ Olympic Park Pty Ltd	Australia	75%	100%
Imaging @ Olympic Park Unit Trust	Australia	100%	100%
MDI Group Pty Ltd	Australia	100%	100%
MDI Manningham Pty Ltd	Australia	100%	100%
MDI Radiology Pty Ltd	Australia	100%	100%
Radiology One Pty Ltd	Australia	100%	100%
Radiology Tasmania Pty Ltd	Australia	100%	100%
CAJ Holdings Pte Ltd	Singapore	100%	100%
CAJ Investments Pte Ltd	Singapore	100%	99.9%
Joremo Pty Ltd	Australia	100%	100%
Adrad Investments Pty Ltd	Australia	90%	-
Adelaide Radiology Pty Ltd	Australia	100%	-

In the financial statements of the Company investments in subsidiaries are measured at cost. All entity interests held are fully paid ordinary shares or units except for Imaging @ Olympic Park Pty Ltd and Adrad Investments Pty Ltd which are held 75% and 90% respectively.

28 Parent Entity Disclosure

	2020	2019
	$000	$000
Financial information		
Operating profit	7,719	12,785
Total Comprehensive Income	**7,719**	12,785
Total Net Assets	138,531	107,028
Issued capital	145,776	107,632
Reserves	2,452	1,374
Retained earnings	(9,697)	(1,978)
Total Equity	**138,531**	107,028
Guarantees	1,035	1,035

Guarantees

The parent entity has provided financial guarantees in respect of bank overdrafts, finance leases and loans of the subsidiaries totalling $ 1,035,000 (2019: $1,035,000), secured by a first registered charge over the assets of the entity.

All entities within the Groups as listed in Note 27 are party to the Deed of Guarantee provided to the company's bankers, National Australia Bank.

Other commitments

The parent entity has no commitments or contingent liabilities (2018: nil).

29 Commitments

From 1 July 2019 leased properties and facilities are treated under AASB 16 (refer note 23) and are included in the financial statements. In 2019 the Group accounted for leased properties and facilities under AASB 117 as operating leases. There are no short-term property or equipment leases at 30 June 2020.

	2020	2019
	$000	$000
Property and facility operating lease commitments		
Within one year	-	10,917
One year or later or less than five years	-	11,999
More than five years	-	2,569
	-	25,485

The lease typically run for a period of 3 to 10 years. No renewal options have been assumed to be exercised in the commitment.

Plant and Equipment operating lease commitments		
Within one year	-	649
One year or later or less than five years	-	1,945
More than five years	-	1,914
	-	4,508

The company has the following capital expenditure commitments contracted for

	2020	2019
	$000	$000
Plant and equipment purchases	212	650

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

30 Contingencies

30.1 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.

31 Related Parties

31.1 Key management personnel remuneration

	2020	2019
	$	$
Salaries and fees	1,344,096	1,765,758
STI cash bonus	737,460	239,839
Other short-term benefits	77,749	30,821
Transition fee[1)]	715,096	-
Termination payments	-	184,753
Post-employment benefits:		
Superannuation	72,308	64,907
Long term employee benefits	4,347	2,179
Share-based payments	117,979	30,989
	3,069,035	2,319,246

[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 11 to 18.

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

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

The 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 FY20 is 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 such other transactions.

32 Events Subsequent to Balance Date

The Group has experienced a reduction in activity levels as a result of the Melbourne Stage 4 restrictions that came into force in August 2020 due to the increase in Covid-19 transmissions in Victoria. However, this reduction is not as severe as the impact that was experienced in the last quarter of FY20. Management have again moved quickly to match staffing levels to demand and therefore do not anticipate there to be a material impact to the Groups performance in FY21 at time of release of this report.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the results of those operations or the state of affairs of the Group in subsequent financial years.

33 Segment Information

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

34 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:	**2020 $000**	2019 $000
Profit before income tax	**2,163**	**28,170**
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	26,025	8,900
(Revaluation)/impairment charge	1,619	(19,915)
Share-based payment expense	724	740
Unrealised foreign exchange gain	(343)	-
Write-back of contingent consideration	-	1,527
Covid-19 rent relief	(380)	-
Other non-cash expense	(2,240)	487
Net finance expense	-	1,655
Working capital adjustments:		
(Increase)/Decrease in trade and other receivables	(2,831)	991
(Increase)/Decrease in other current net assets	(105)	(593)
Decrease in other non-current net assets	536	-
Increase in trade payables	6,342	797
Increase in other financial liabilities	3,698	-
(Decrease)/Increase in employee benefit liabilities	(279)	1,749
Increase in provisions	170	-
	35,009	**24,508**
Interest received	-	90
Interest paid	-	(1,883)
Income tax paid	-	(4,385)
Net cash flows from operating activities	**35,009**	**18,330**

35 Auditors Remuneration

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

	2020 $000	2019 $000
Audit and other services		
Audit and review of group financial reports	**240,000**	225,000
Other services:		
Other corporate finance services	**-**	52,500
Total remuneration for audit and other services	**240,000**	277,500

The auditor of the Group is Deloitte Touche Tohmatsu.

Directors' Declaration

In the opinion of the Directors of Capitol Health Limited:

(a) the financial statements and notes thereto and the Remuneration Report contained in the Directors' Report, set out on pages 11 to 20, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the financial year ended on that date; and

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

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

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

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2020.

Signed in accordance with a resolution of the Directors.

Justin Walter
Managing Director
Melbourne, Victoria
26 August 2020

Deloitte.

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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 2020, 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 2020 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 2020, goodwill totalling $109.7m 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. ▪ Assessing the reasonableness of cash flow projections and assessing growth rates. ▪ Engaging our valuation specialists to assess the key assumptions and methodology used by management in the impairment model, in particular the discount rate and the terminal value growth rate. ▪ Evaluating the Group's assets carrying amount against its market capitalisation. ▪ Testing the mathematical accuracy of the impairment model. We have also assessed the appropriateness of the disclosures in Note 14 to the financial statements.
Carrying Value of Investment in unlisted entity As disclosed in Note 12, the Group has an investment in an unlisted entity ('Enlitic') carried at $22.1m as at 30 June 2020. For the year ended 30 June 2020, the investment is accounted at fair value through profit or loss (FVTPL). The fair value of the Group's holding was determined by reference to the current enterprise value of Enlitic as determined by an independent professional valuer. The valuation involved significant judgements including Enlitic future growth and discount rate.	Our procedures included but were not limited to: ▪ Evaluating the professional valuer's independence, competence, and objectivity. ▪ Engaging our valuation specialists to assess the valuation methodology used by the independent professional valuer to estimate the current enterprise value of the investment. ▪ Testing the mathematical accuracy of the Group's investment holding in Enlitic. ▪ Recalculating the fair value movement recognised in profit or loss. We also assessed the appropriateness of the disclosure in Note 12 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 2020 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.

Deloitte.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

Deloitte.

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 20 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Capitol Health Limited, for the year ended 30 June 2020, 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, 26 August 2020

Shareholder Information

Details of Shares, Performance Rights and Options as at 7 August 2020:

Top Holders

The 20 largest holders of each Fully Paid Ordinary Shares as at 7 August 2020 were:

Fully Paid Ordinary Shares

Name	No. of Shares	%
HSBC Custody Nominees (Australia) Limited	169,215,138	16.55
J P Morgan Nominees Australia Pty Limited	146,856,074	14.36
National Nominees Limited	128,075,245	12.52
Citicorp Nominees Pty Limited	70,051,794	6.85
BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	58,337,814	5.70
BNP Paribas Noms Pty Ltd <Drp>	36,628,828	3.58
UBS Nominees Pty Ltd	35,918,686	3.51
Idinoc Pty Ltd <J & R Conidi Family A/C>	27,477,886	2.69
HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	21,389,242	2.09
Neweconomy Com Au Nominees Pty Limited <900 Account>	12,794,938	1.25
Nick Conidi Pty Ltd <Conidi Family A/C>	11,764,740	1.15
Gia Chau Pty Ltd	11,200,000	1.10
SMKA Super Pty Ltd <SK Super Fund A/C>	6,901,313	0.67
CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	6,430,839	0.63
Stelhaven SMSF Pty Ltd <Stelhaven Super Fund A/C>	6,320,843	0.62
Mr Nicola Conidi + Mrs Giannina Conidi <Nick & Jan Conidi S/F A/C>	6,160,486	0.60
Teleah Pty Ltd <JR Sauvey Super Fund A/C>	4,177,946	0.41
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	3,410,000	0.33
Julsan Pty Ltd <Ponte Super Fund A/C>	3,133,740	0.31
	769,872,370	75.29

Distribution Schedules

A distribution of each class of equity security as at 7 August 2020:

Fully Paid Ordinary Shares

Range	Total holders	No. of shares	% Units
1 - 1,000	441	140,434	0.01
1,001 - 5,000	1,225	3,717,244	0.36
5,001 - 10,000	848	6,772,141	0.66
10,001 - 100,000	2,330	82,567,594	8.07
100,001 Over	618	929,399,781	90.89
	5,462	**1,022,597,194**	**100%**

Unlisted Performance Rights – Issued under the Company's Employee Incentive Plan

Range	Total holders	No. of Performance Rights	% Units
100,001 Over	2	4,080,342	100%
	2	**4,080,342**	**100%**

Unlisted Options – Issued under the Company's Employee Incentive Plan

Range	Total holders	No. of Performance Rights	% Units
100,001 Over	36	30,750,000	100%
	36	**30,750,000**	**100%**

Escrowed Securities

As at 7 August 2020, 6,901,313 Fully Paid Ordinary Shares are currently subject to voluntary escrow until 28 February 2021.

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	103,171,744	10.09%
Lennox Capital Partners Pty Ltd	67,793,272	8.82%
Paradice Investment Management Pty Ltd	67,359,082	8.77%
National Nominees Ltd ACF Australian Ethical Investment Limited	60,315,023	7.82%
Ice Investors Pty Ltd	41,491,276	5.35%

Unmarketable Parcels

Holdings less than a marketable parcel of ordinary shares (being 2,381 at $0.2100 per share as at 7 August 2020):

Fully Paid Ordinary Shares	Holders	No. of shares	%
Holdings less than a marketable parcel	2,381	913,169	0.09%

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 76,844,482 ordinary shares over a 12-month period to 7 August 2020.

Additional Shareholder Information

The 2020 Annual General Meeting will be held on Tuesday, 17 November 2020 at 10.00am (AEDT).

In accordance with clause 13.3 of the Company's constitution, the Closing Date for Nomination of Director is Monday, 2 November 2020.

END OF REPORT