

Appendix 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The following information is provided to the ASX under listing rule 4.2A.3 for Capitol Health Limited (Capitol Health)

Reporting period

Half-Year Ended 31 December 2022

Comparative period

Half-Year Ended 31 December 2021

	Dec 2022	Dec 2021	Increase/ (Decrease)
	\$000	\$000	%
Results from Continuing Operations			
Revenue from ordinary activities	98,068	94,831	3.4%
Profit from ordinary activities after tax attributable to equity holders of Capitol Health	(15,121)	8,119	(286.2%)
Profit for the half-year attributable to equity holders of Capitol Health	(15,175)	7,996	(289.8%)

Dividends and Distributions	Record Date	Payment Date	Amount per Security	Franked amount per Security
Interim dividend 2023	2 March 2023	31 March 2023	0.5 cents	100%
Final dividend 2022	28 September 2022	21 October 2022	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 Interim dividend 2023.

Net Tangible Asset Backing

	Dec 2022	Dec 2021
Net tangible Assets per ordinary security (cents)	(3.25)	2.99
(Calculated excluding intangibles and right-of-use assets and liabilities)		

Change in Control Over Entities

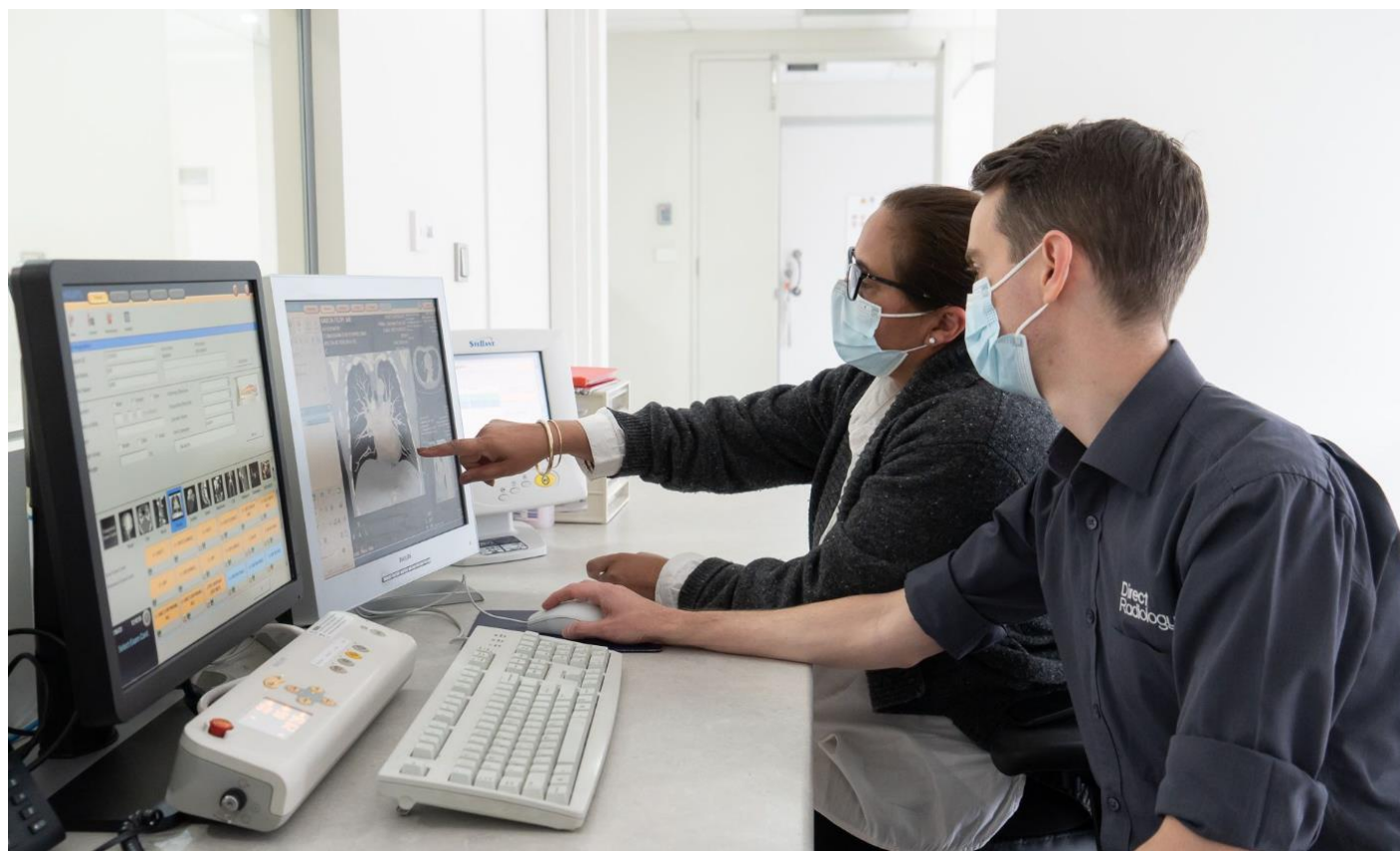
On 4 November 2022, the Group acquired 100% of the shares in Future Medical Imaging Group Pty Ltd.

Other Information Regarding the Accounts

This report is based on the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2022 which have been reviewed by Deloitte Touche Tohmatsu.

Additional information supporting the ASX Appendix 4D disclosure requirements can be found in the Consolidated Interim Financial Report for the Half-Year Ended 31 December 2022.

This Appendix 4D should be read in conjunction with the audited Annual Report for the year ended 30 June 2022 and public announcements made by Capitol Health in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.



CAPITOLHEALTH
LIMITED

ABN 84 117 391 812

Condensed Consolidated Interim Financial Report For the half-year ended 31 December 2022

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This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2022 and any public announcements made by Capitol Health Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

Directors' Report

The Directors of Capitol Health Limited ("Capitol Health" or "Company") present their report, together with the financial statements, of the consolidated entity consisting of Capitol Health Limited and its controlled entities (the "Group"), for the half-year ended 31 December 2022, and the auditor's report thereon.

Directors

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

Mr. Andrew Demetriou	–	Chairman and Non-Executive Director
Mr. Justin Walter	–	Managing Director and Chief Executive Officer
Mr. Richard Loveridge	–	Non-Executive Director
Ms. Laura McBain	–	Non-Executive Director
Dr. Kevin Shaw	–	Non-Executive Director

Operating and Financial Review

Principal Activities

The Group is principally engaged in the provision of diagnostic imaging services.

Performance

The Operating results for the half-year reflect the continuation in the delivery of the Group's strategic pillars.

The business was successful in growing revenue 3.4% to \$98.1 million despite continued disruption from COVID-19 in the healthcare sector generally, reduced patient attendance to GP's, increased absenteeism impacting operating activities in our clinics, and cost of living increases for patients. The revenue was also impacted during the half-year by the closure of two small unprofitable sites with activities being permanently consolidated into larger nearby clinics, and a reduced trading day for the Queen's funeral public holiday.

The focus on strategy delivered the acquisition of Future Medical Imaging Group (FMIG) from early November and its subsequent integration into the Group. FMIG operates six diagnostic imaging clinics covering the high growth corridor West of Melbourne and is aligned to the Group's strategic plan for long-term organic growth. The business includes 3 partially licensed MRI's and a current brownfield development with expansion of services.

The Group continues to invest in new equipment with the planned replacement of clinical assets and the installation of an additional MRI scanner at our Cranbourne clinic in Victoria. This assists the business to improve its service offering, capabilities and attractiveness for staff recruitment and retention.

The company's persistent focus on matching staffing levels to patient demand for services and operating cost control assisted in the delivery of an Operating EBITDA of \$19.7 million with an Operating EBITDA margin of 20.1%. This was despite higher operating costs for increased staff absenteeism of \$0.5 million, payroll tax and superannuation costs of \$0.7 million, clinic occupancy costs of \$0.4 million, and head office fixed term project staff of \$1.0 million in delivery of the Group strategy against the prior comparative period.

Driven by the earlier than anticipated Series C preferred equity financing round of Enlitic the Group recognised a non-cash pre-tax fair value adjustment to decrease the carrying value of the Enlitic investment in the statement of financial position by \$18.2 million or 95%. Capitol Health's decision to not participate in the raise reflects its strategic plan to focus on the growth of domestic operations and ongoing strong fiscal stewardship.

Financial Highlights

Capitol Health achieved a statutory net loss after tax for the half-year ended 31 December 2022 of \$15.1 million (2021: Profit \$8.1 million).

- Revenue from the provision of diagnostic imaging services increased 3.4% on the prior comparative period to \$98.1 million driven by a less than two-month contribution from the acquisition of Future Medical Imaging Group (FMIG) and an increase in Medicare rebates for certain services.
- Excluding revenue from the FMIG acquisition revenue declined by 0.4% on the prior comparative period.
- Profit Before Finance Costs, Income Tax, Depreciation and Amortisation ("EBITDA") decreased 99.7% to \$0.1 million compared to \$22.8 million in the prior comparative period. This decline in EBITDA was a result of a non-cash pre-tax fair value adjustment of the Group's investment in Enlitic, transaction and restructure costs associated with the acquisition of Future Medical Imaging, non-cash pre-tax impairment of non-current assets within our Western Australia business, increased labour and operating costs.
- Operating EBITDA (EBITDA prior to non-operating items including Investments movement in fair value, Impairment of non-current assets, transaction and restructure costs, unrealised foreign exchange gain, and financial liabilities movement in fair value) decreased 11.3%, from \$22.2 million in the prior comparative period, to \$19.7 million.
- Operating EBITDA Margin (Operating EBITDA as a percentage of Revenue from services provided) was 20.1% which is a decrease from the prior comparable period of 23.4%.
- Investments movement in fair value of \$18.2 million reflects the non-cash pre-tax fair value adjustment decreasing the carrying value of the Enlitic investment as a non-current asset in the statement of financial position to \$1.3 million.
- Impairment of non-current assets of \$0.8 million reflects the losses recognised in the current period relating to certain clinics in our Western Australia operations.
- Transaction costs of \$1.3 million were incurred in respect of the completed acquisition of Future Medical Imaging Group.
- An Un-realised foreign exchange gain of \$0.3 million was recognised in respect of the foreign currency exchange movement (AUD: USD) for the investment in Enlitic. This was in comparison to an Unrealised foreign exchange gain of \$0.7 million in the prior comparable period.
- Cash at Bank was \$14.8 million, and Borrowings were \$68.8 million as at 31 December 2022.

Acquisitions

On 4 November 2022, the Group acquired 100% of the shares in Future Medical Imaging Group Pty Ltd ('FMIG') which operates six dedicated diagnostic imaging clinics in Victoria. The acquisition is aligned to the Group's strategic plan for long-term organic growth and expanding its network of high-quality community imaging centres.

The consideration for the acquisition amounted to \$55.8 million prior to transactions costs. This includes shares in Capitol Health of \$6.0 million and \$49.8 million funded through Capitol Health's debt facilities.

Capital Management Initiatives

During the half-year to 31 December 2022 the Group did not undertake any new capital management initiatives and the share buy-back facility was not utilised over this period.

Events Occurring after the Reporting Period

Subsequent to 31 December 2022:

Curtailing impact of the Coronavirus (Covid-19) pandemic

The Coronavirus (Covid-19) pandemic tailwinds continue to pose a disruption in our operations post half-year end and is mostly reflected through shortage of qualified personnel nationwide. Capitol Health remains alert and will take any necessary action to protect our patients, our personnel, and the wider community.

Dividend

On 23 February 2023 the Company declared an interim fully franked dividend for the half-year ended 31 December 2022 of 0.5 cents per share (31 December 2021: 0.5 cents per share).

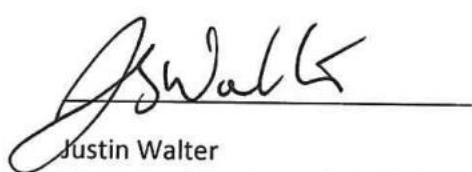
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5 of the consolidated interim financial report and forms part of the Directors report for the half-year ended 31 December 2022.

Rounding of Amounts

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

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the *Corporations Act 2001*:



Justin Walter
Managing Director and Chief Executive Officer
Melbourne, Victoria
23 February 2023

23 February 2023

Board of Directors
Capitol Health Limited
288 Victoria Parade
MELBOURNE VIC 3002

Dear Board Members

Capitol Health Limited

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

As lead audit partner for the review of the financial statements of Capitol Health Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke du Toit
Partner
Chartered Accountants

**Condensed Consolidated Statement of Profit or Loss
and Other Comprehensive Income
for the Half-Year Ended 31 December 2022**

		31 Dec 2022	31 Dec 2021
	Notes	\$000	\$000
Revenue from contracts with customers	1	98,068	94,831
Wages, contractor costs and salaries		(62,242)	(58,103)
Occupancy costs		(3,004)	(2,555)
Medical equipment and consumable supplies		(5,373)	(5,211)
Service costs		(7,722)	(6,765)
Transaction and restructure costs		(1,291)	(342)
Investments' movement in fair value	5	(18,236)	-
Impairment of other non-current assets	7	(789)	-
Unrealised foreign exchange gain	5	323	705
Financial liabilities' movement in fair value	9	348	202
Profit before Depreciation and Amortisation, Finance Costs, and Income Tax		82	22,761
Depreciation and amortization		(11,662)	(10,061)
(Loss)/Profit before Finance Costs and Income Tax		(11,580)	12,700
Net finance costs	2	(2,016)	(1,492)
(Loss)/Profit before Income Tax		(13,596)	11,208
Income tax expense		(1,525)	(3,089)
(Loss)/Profit for the Half-Year		(15,121)	8,119
<i>Attributable to:</i>			
Equity holders of Capitol Health Limited		(15,175)	7,996
Non-controlling interests		54	123
(Loss)/Profit for the Half-Year		(15,121)	8,119
Basic Earnings per share (cents)	3	(1.45)	0.77
Diluted Earnings per share (cents)	3	(1.45)	0.75
Other Comprehensive Income			
(Loss)/Profit for the Half-Year		(15,121)	8,119
Other comprehensive income		-	-
Other Comprehensive Income, net of Income Tax		-	-
Total Comprehensive Income for the Half-Year		(15,121)	8,119
<i>Attributable to:</i>			
Equity holders of Capitol Health Limited		(15,175)	7,996
Non-controlling interests		54	123
Total Comprehensive (Loss)/Income for the Half-Year		(15,121)	8,119

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

Condensed Consolidated Statement of Financial Position
as at 31 December 2022

	Notes	31 Dec 2022 \$000	30 Jun 2022 \$000
Assets			
Cash and cash equivalents	4	14,846	13,384
Trade and other receivables		5,003	3,637
Investments		105	113
Other assets		2,329	736
GST receivable		1,383	1,061
Income tax receivable		-	1,176
Total Current Assets		23,666	20,107
Plant and equipment		45,867	44,464
Right-of-use asset	8	60,821	56,701
Intangible assets	6	175,560	125,111
Investments	5	1,268	19,181
Other receivables		255	294
Deferred tax asset		5,473	5,328
Total Non-Current Assets		289,244	251,079
Total Assets		312,910	271,186
Liabilities			
Trade and other payables		12,338	11,507
Lease liabilities	8	11,703	10,346
Employee benefit liabilities		12,531	11,685
Income tax liability		1,408	-
Total Current Liabilities		37,980	33,538
Borrowings	10	68,800	19,000
Lease liabilities	8	54,984	51,860
Other financial liability	9	3,423	3,771
Provisions		2,597	2,611
Employee benefit liabilities		467	437
Deferred tax liability		5,245	5,926
Total Non-Current Liabilities		135,516	83,605
Total Liabilities		173,496	117,143
Net Assets		139,414	154,043
Equity			
Issued capital	11	160,152	153,749
Reserves	12	2,170	1,048
Accumulated (losses)/profits		(23,941)	(1,793)
Equity Attributable to Owners of Capitol Health Limited		138,381	153,004
Non-controlling Interests		1,033	1,039
Total Equity		139,414	154,043

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

Condensed Consolidated Statement of Cash Flows
for the Half-Year Ended 31 December 2022

	Notes	31 Dec 2022 \$000	31 Dec 2021 \$000
Operating Activities			
Receipts from customers		97,802	97,110
Payments to suppliers and employees		(79,277)	(73,348)
Interest received		94	7
Interest and other finance charges on borrowings		(1,266)	(555)
Interest on lease liabilities		(844)	(944)
Income tax paid		(796)	(2,532)
Net cash from operating activities		15,713	19,738
Investing Activities			
Purchase of plant and equipment		(4,770)	(6,528)
Payments for business acquisitions, investments including transaction costs		(48,624)	(1,142)
Net cash used in investing activities		(53,394)	(7,670)
Financing Activities			
Proceeds from borrowings		49,800	-
Proceeds on exercise of options		-	4,270
Payment of dividends		(5,223)	(5,177)
Payment of dividends to non-controlling interests		(60)	(105)
Cash payment of lease liabilities		(5,374)	(4,902)
Net cash generated from/(used in) financing activities		39,143	(5,914)
Net increase in cash and cash equivalents		1,462	6,154
Cash and cash equivalents at beginning of the period		13,384	21,748
Cash and cash equivalents at end of the period	4	14,846	27,902

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

Condensed Consolidated Statement of Changes in Equity
for the Half-Year Ended 31 December 2022

	Issued Capital \$000	Reserves \$000	Accumulated Profits/ (Losses) \$000	Total \$000	Non- Controlling Interests \$000	Total Equity \$000
Balance at 1 July 2022	153,749	1,048	(1,793)	153,004	1,039	154,043
(Loss)/Profit for the half-year	-	-	(15,175)	(15,175)	54	(15,121)
Other Comprehensive Income for the half-year	-	-	-	-	-	-
Total Comprehensive (Loss)/Income	-	-	(15,175)	(15,175)	54	(15,121)
<i>Transactions with Equity Holders</i>						
Conversion of performance rights	421	(421)	-	-	-	-
Shares issue	6,000	-	-	6,000	-	6,000
Share issue costs (net of tax)	(18)	-	-	(18)	-	(18)
Share-based payments	-	1,543	(1,750)	(207)	-	(207)
Dividend paid	-	-	(5,223)	(5,223)	(60)	(5,283)
Total Transactions with Equity Holders	6,403	1,122	(6,973)	552	(60)	492
Balance at 31 December 2022	160,152	2,170	(23,941)	138,381	1,033	139,414

Balance at 1 July 2021	148,631	98	(2,993)	145,736	292	146,028
Profit for the half-year	-	-	7,996	7,996	123	8,119
Other Comprehensive Income for the half-year	-	-	-	-	-	-
Total Comprehensive Income	-	-	7,996	7,996	123	8,119
<i>Transactions with Equity Holders</i>						
Options not exercised	-	(812)	812	-	-	-
Put option from sale/purchase	-	(420)	-	(420)	-	(420)
Exercise of options	4,270	-	-	4,270	-	4,270
Share issue costs (net of tax)	(25)	-	-	(25)	-	(25)
Conversion of issued options/rights	866	(866)	-	-	-	-
Issue of share options	-	328	-	328	-	328
Share transferred to third parties	-	-	-	-	672	672
Share-based payments	-	323	-	323	-	323
Dividend paid	-	-	(5,177)	(5,177)	(105)	(5,282)
Total Transactions with Equity Holders	5,111	(1,447)	(4,365)	(701)	567	(134)
Balance at 31 December 2021	153,742	(1,349)	638	153,031	982	154,013

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

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2022

About this Report

Reporting Entity

Capitol Health Limited (the “Company” or “Capitol Health”) is a company limited by shares which are publicly traded on the Australian Securities Exchange. The consolidated interim financial report of the Company for the half-year ended 31 December 2022 comprises the Company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial report of the Group for the year ended 30 June 2022 may be viewed on the Company’s website: www.capitolhealth.com.au/investors/reports-and-presentations

Going Concern

The financial statements have been prepared on a going concern basis. For the half-year ended 31 December 2022, the consolidated entity made a loss of \$15.1 million (31 December 2021: Profit \$8.1 million) and had net current liabilities of \$14.3 million (31 December 2021: \$1.4 million).

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

- (a) the consolidated entity has sufficient working capital to enable it to meet its objectives and financial obligations. Net available funding through its secured banking facilities totals \$31.2 million.
- (b) the consolidated entity generated net operating cash inflow for the half-year ended 31 December 2022 of \$15.7 million (31 December 2021: \$19.7 million).

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

Significant Accounting Policies

Basis of Preparation

This consolidated interim financial report is a general-purpose financial report which has been prepared in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*, as appropriate for-profit oriented entities. This report also complies with International Financial reporting Standards IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

The consolidated interim financial report does not include all of the information required for a full financial report and should be read in conjunction with the Annual Report of the Group for the year ended 30 June 2022. It is also recommended that the consolidated interim report be considered together with any public announcements made by the Group in accordance with continuous disclosure obligations under the *Corporations Act 2001* and ASX listing rules.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Annual Report for the year ended 30 June 2022.

The consolidated interim financial report was approved by the Directors on 23 February 2023.

Comparative Figures

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

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2022

Our Performance

1. Revenue from Contracts with Customers

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

	31 Dec 2022	31 Dec 2021
	\$000	\$000
Major Service Category		
Diagnostic imaging services	97,775	94,811
Other operating revenue	293	20
	98,068	94,831

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

2. Net Finance Costs

	31 Dec 2022	31 Dec 2021
	\$000	\$000
Interest income	94	7
Interest on borrowings	(1,266)	(555)
Lease interest	(844)	(944)
	(2,016)	(1,492)

3. Earnings per Share (EPS)

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

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

	31 Dec 2022	31 Dec 2021
	\$000	\$000
(Loss)/Profit for the half-year:	(15,121)	8,119
Non-controlling interest	(54)	(123)
(Loss)/Profit for the half-year attributable to ordinary equity holders of Capitol Health Limited:	(15,175)	7,996
<i>Weighted average ordinary shares used as the denominator in calculating:</i>	Number	Number
Basic earnings	1,046,248,424	1,035,504,993
Effect of dilution from share options and performance rights	16,565,340	28,842,040
Diluted earnings	1,062,813,764	1,064,347,033
<i>Earnings per share – Continuing operations:</i>	Cents	Cents
Basic	(1.45)	0.77
Diluted	(1.45)	0.75

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2022

Our Assets and Liabilities

4. Cash and Cash Equivalents

	31 Dec 2022	30 Jun 2022
	\$000	\$000
Cash at bank	14,828	13,366
Cash on hand	18	18
	14,846	13,384

5. Investments

The Group has an investment in Enlitic Inc, a USA based healthcare IT private entity developing healthcare capacity, efficiency, and workflow solutions powered by artificial intelligence.

	31 Dec 2022	30 Jun 2022
	\$000	\$000
<i>Non-current</i>		
Investment in unlisted entity	1,268	19,181
Movement in Investment in unlisted entity		
Fair value – opening balance	19,181	19,522
Movement in fair value	(18,236)	(2,123)
Un-realised foreign exchange gain/(loss)	323	1,782
Fair value – closing balance	1,268	19,181

The investment in the unlisted entity is a level 3 financial asset as defined in the 30 June 2022 Annual Report (Note 2.5).

The measurement of the investment is categorised as a level 3 in the fair value measurement hierarchy which means that inputs are unobservable and subject to an independent valuation.

Enlitic started a process of raising its Series C preferred equity financing in late 2022 calendar year ahead of expectations. Capitol Health's decision to not participate in the raise reflects its strategic plan to focus on the growth of domestic operations and ongoing strong fiscal stewardship. The series C preferred shares, associated bonus shares and warrants, dilutes and subordinates the Group's shareholding in Enlitic.

Based on the above, our independent valuers modified their valuation technique from a discounted cash flow approach to Enlitic's preferred equity C series raising as a proxy of fair value because it reasonably reflects the expected future economics.

Other inputs considered by the valuers in their assessment include but are not limited to Enlitic's performance versus forecasts, product commercialisation and changing macro-economic factors of the USA and global economy.

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2022

6. Intangible Assets

	Goodwill \$000	Brands Names \$000	Referrer Relationships \$000	Total \$000
At 1 July 2022	118,054	1,258	5,799	125,111
Acquisition of entities and businesses	51,064	-	-	51,064
Amortisation charge	-	-	(615)	(615)
At 31 December 2022	169,118	1,258	5,184	175,560
Cost value	169,118	1,258	9,561	179,937
Accumulated amortisation & impairment	-	-	(4,377)	(4,377)
Total at 31 December 2022	169,118	1,258	5,184	175,560

	Goodwill \$000	Brands Names \$000	Referrer Relationships \$000	Total \$000
At 1 July 2021	117,778	1,258	6,999	126,035
Acquisition of entities and businesses	276	-	-	276
Amortisation charge	-	-	(1,200)	(1,200)
At 30 June 2022	118,054	1,258	5,799	125,111
Cost value	118,054	1,258	9,561	128,873
Accumulated amortisation & impairment	-	-	(3,762)	(3,762)
Total at 30 June 2022	118,054	1,258	5,799	125,111

The Group has performed an assessment of impairment indicators at the end of the reporting period, following the full impairment testing that was conducted at 30 June 2022. There were no indicators of impairment identified for goodwill, brand names and referrer relationships that required an impairment test to be conducted at the end of the reporting period.

7. Impairment of other non-current assets

	31 Dec 2022	30 Jun 2022
	\$000	\$000
Impairment – plant and equipment	420	-
Impairment – right-of-use assets	369	-
	789	-

The impairment losses recognised in the current period exclusively relate to our operations in Western Australia. The Group is focused on continuing to improve the performance of our clinics in this region, however, their recent results and uncertainty arising from the current environment, has resulted in its right-of-use assets and plant and equipment being impaired.

In determining the impairment charge, the Group calculated the recoverable amount of each clinic in the Western Australia region based on a discounted cash flow model. The recoverable amount of each clinic was determined using assumptions that reflect market conditions, industry trends and the Group's approved budget. The decrease in the recoverable amount of individual Western Australia clinics reflects the impacts from the COVID-19 pandemic such as the decline in general practitioner referrals, availability of staff and other economic trends such as the rise of interest rates.

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2022

7. Impairment of other non-current assets (cont'd)

The assessment of the recoverable amount represents management's best estimate, considering risks, uncertainties, and opportunities for improvement in each Western Australia clinic. Management will continue to monitor the regions operations against these estimates, and it is possible that future asset impairments may be required. For the two clinics where the plant and equipment and right-of-use assets were impaired, any change in assumptions may result in a maximum additional impairment charge of \$2.2 million, at which point these clinics would have plant and equipment and right-of use assets with a carrying value of nil.

8. Leases

	31 Dec 2022 \$000	30 Jun 2022 \$000
Lease liabilities		
<i>Current</i>	11,703	10,346
<i>Non-current</i>	54,984	51,860
	66,687	62,206

Reconciliation of movement in Right-of-use asset for the period

	Property Leases \$000	Equipment Leases \$000	Total \$000
At 1 July 2022	53,911	2,790	56,701
Leases assumed on acquisition	10,064	-	10,064
Remeasured and modified leases	(352)	194	(158)
Amortisation charge	(4,859)	(558)	(5,417)
Impairment	(369)	-	(369)
At 31 December 2022	58,395	2,426	60,821
Cost value	88,010	4,316	92,326
Accumulated amortization and impairment	(29,615)	(1,890)	(31,505)
Total at 31 December 2022	58,395	2,426	60,821

	Property Leases \$000	Equipment Leases \$000	Total \$000
At 1 July 2021	56,226	2,785	59,011
New leases entered during the period	2,699	1,038	3,737
Remeasured and modified leases	4,334	-	4,334
Terminated leases	(98)	-	(98)
Amortisation charge	(9,250)	(1,033)	(10,283)
At 30 June 2022	53,911	2,790	56,701
Cost value	78,859	4,509	83,368
Accumulated amortisation	(24,948)	(1,719)	(26,667)
Total at 30 June 2022	53,911	2,790	56,701

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2022

8. Leases (cont'd)

Reconciliation of movement in lease liability for the period

	Property Leases \$000	Equipment Leases \$000	Total \$000
At 1 July 2022	(56,883)	(5,323)	(62,206)
Interest expense	(744)	(100)	(844)
Leases assumed on acquisition	(10,064)	-	(10,064)
Remeasured and modified leases	315	(106)	209
Cash payments	4,982	1,236	6,218
At 31 December 2022	(62,394)	(4,293)	(66,687)
Current	(9,309)	(2,394)	(11,703)
Non-current	(53,084)	(1,900)	(54,984)
Total at 31 December 2022	(62,393)	(4,294)	(66,687)

	Property Leases \$000	Equipment Leases \$000	Total \$000
At 1 July 2021	(58,337)	(6,729)	(65,066)
Interest expense	(1,613)	(248)	(1,861)
New leases entered during the period	(2,699)	(739)	(3,438)
Remeasured and modified leases	(3,851)	-	(3,851)
Terminated leases	119	-	119
Cash payments	9,498	2,393	11,891
At 30 June 2022	(56,883)	(5,323)	(62,206)
Current	(8,246)	(2,100)	(10,346)
Non-current	(48,637)	(3,223)	(51,860)
Total at 30 June 2022	(56,883)	(5,323)	(62,206)

9. Other Financial Liabilities

	31 Dec 2022 \$000	30 Jun 2022 \$000
<i>Non- Current</i>		
Other financial liabilities	3,423	3,771

Other financial liabilities in respect of the put and call options for the non-wholly owned entities is presented at its fair value in accordance with AASB 132 *Financial Instruments: Presentation*.

	31 Dec 2022 \$000	30 Jun 2022 \$000
Balance at 1 July	3,771	5,081
Amounts paid	-	(1,180)
Fair value movement	(348)	(130)
Balance at end of period	3,423	3,771

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2022

Our Capital Structure

10. Borrowings

	31 Dec 2022 \$000	30 Jun 2022 \$000
<i>Non-current</i>		
Borrowings	68,800	19,000
	68,800	19,000

The Group complied with all applicable financial covenant requirements for the half-year ended 31 December 2022.

11. Issued Capital

	31 Dec 2022 \$000	30 Jun 2022 \$000
Issued Capital	160,152	153,749

	31 Dec 2022 Number of shares	\$000	30 June 2022 Number of shares	\$000
Balance at 1 July	1,042,217,512	153,749	1,028,097,512	148,631
Exercise of options	-	-	11,239,561	4,270
Conversion of options/performance rights	2,385,280	421	2,880,439	866
Shares issued on acquisition	18,309,432	6,000	-	-
Shares issued – in escrow ²	610,314	-	-	-
Share issue costs (after tax)	-	(18)	-	(18)
	1,063,522,538	160,152	1,042,217,512	153,749
Less: Treasury shares ^{1,2}	(2,958,066)	-	(2,347,752)	-
Balance at end of period	1,060,564,472	160,152	1,039,869,760	153,749

- 1) In 2021, the Group issued 2,347,752 shares as part of the Direct Radiology acquisition as deferred consideration. These shares are held in escrow until August 2023 at which point, they will be released subject to a revenue target and ongoing employment. The fair value of these shares is treated as a post-employment cost and will be accumulated in the Share-Based Payments Reserve over this period.
- 2) A total of 610,314 fully ordinary shares were issued in association with the acquisition of Future Medical Imaging Group which remain in escrow for up to 24 months. The fair value of these shares is treated as a post-employment cost and will be accumulated in the Share-Based Payment Reserve.

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

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2022

11. Issued Capital (cont'd)

Performance Rights	31 Dec 2022		30 Jun 2022	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
Balance at 1 July	7,335,509	Nil	5,351,382	Nil
Granted	3,849,040	Nil	1,984,127	Nil
Exercised	(2,385,280)	Nil	-	Nil
Balance at end of period	8,799,269	Nil	7,335,509	Nil

Options	31 Dec 2022		30 Jun 2022	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
Balance at 1 July	10,315,000	33.18	35,092,105	30.94
Granted	-	-	3,765,000	35.11
Exercised	-	-	(14,120,000)	30.06
Forfeited	-	-	(14,422,105)	31.29
Balance at end of period	10,315,000	33.18	10,315,000	33.18

12. Reserves

	Share-based payment ¹ \$000	Other reserves ² \$000	Total \$000
Balance at 1 July 2022	2,527	(1,479)	1,048
Current period allocation	1,543	-	1,543
Conversion of issued performance rights	(421)	-	(421)
Movement for the period	1,122	-	1,122
Balance at 31 December 2022	3,649	(1,479)	2,170

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2022

12. Reserves (cont'd)

	Share-based payment ¹ \$000	Other reserves ² \$000	Total \$000
Balance at 1 July 2021	2,985	(2,887)	98
Issue of share options	1,264	-	1,264
Conversion of issued options/rights	(866)	-	(866)
Put options from sale/purchase	-	(420)	(420)
Options not exercised	(856)	-	(856)
Exercise of a put option	-	1,828	1,828
Movement for the financial year	(458)	1,408	950
Balance at 30 June 2022	2,527	(1,479)	1,048

- 1) The share-based payments reserve is used to recognize the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.
- 2) Other reserves represent put and call options in relation to non-controlling interest entities within the group.

13. Dividends

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

	31 Dec 2022 \$000	30 Jun 2022 \$000
FY21 Final Dividend paid 0.5 cents per share on 22 October 2021	-	5,177
FY22 Interim Dividend paid 0.5 cents per share on 1 April 2022	-	5,211
FY22 Final Dividend paid 0.5 cents per share on 21 October 2022	5,223	-
	5,233	10,388

Since the end of the half-year to 31 December 2022, the Directors have declared an FY23 interim fully franked dividend of 0.5 cents per share which is not recognised as a liability at 31 December 2022.

The Dividend Reinvestment Plan (DRP) is currently suspended.

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2022

Our Operational Footprint

14. Business acquisitions

The Group preliminarily accounted for the acquisition of Future Medical Imaging Group and finalised the acquisition of Womens' Imaging during the period. There were no other new acquisitions during the period.

Date of acquisition	Business Name	State	Purchase consideration \$000	Net Assets Acquired \$000	Goodwill \$000
4 November 2022	Future Medical Imaging Group (FMIG)	Victoria	55,800	4,736	51,064
29 November 2021	Womens' Imaging	Tasmania	700	424	276

Acquisitions in fiscal year 2023

Future Medical Imaging Group

On 4 November 2022, the Group acquired 100% of the shares in Future Medical Imaging Group Pty Ltd ('FMIG') which operates six dedicated diagnostic imaging clinics in Victoria. The acquisition is aligned to the Group's strategic plan for long-term organic growth and expanding its network of high-quality community imaging centres. The provisional goodwill of \$51.1 million comprises the value of expected synergies arising from the acquisition and referrer relationships, brand names and a potential revaluation of plant and equipment, which are not separately recognised.

The consideration for the acquisition amounted to \$55.8 million prior to transactions costs. This includes shares in Capitol Health Limited of \$6.0 million and \$49.8 million funded through Capitol Health's debt facilities. Transaction costs of the acquisition (included in cash flows from investing activities) amounted to \$1.19 million.

The net assets recognised in the 31 December 2022 financial statements are based on a provisional assessment of their fair value while the Group sought an independent valuation for plant and equipment and other intangibles. The valuation has not been completed by the date the half year financial statements were approved and issued by the Board of Directors.

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

	\$000
Consideration	55,800
Assumed:	
- Cash	2,341
- Recognition of net debtors/creditors	496
- Right-of-use assets	10,064
- Fixed assets	3,232
- Employee Entitlements	(1,904)
- Lease liabilities	(10,064)
Recognition of Deferred Tax Asset	571
Goodwill	51,064
	55,800

In association with the FMIG acquisition, Capitol Health issued 610,314 ordinary shares which are held in escrow and subject to ongoing employment conditions. These are accounted for as a post-employment cost and not through goodwill.

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2022

Acquisitions in fiscal year 2023 (cont'd)

Future Medical Imaging Group (cont'd)

Revenue and profit contribution from the date of acquisition to 31 December 2022:

From the date of acquisition, FMIG contributed \$3.6 million of revenue for the Group. If the combination had taken place from the start of the period, revenue would have been approximately \$10.9 million.

Acquisitions in fiscal year 2022

Womens' Imaging

On 29 November 2021, the Group acquired 100% of the business and assets of Womens' Imaging which operates a dedicated diagnostic imaging clinic with a specialist focus on women's health in Hobart, Tasmania.

The acquisition is aligned to the Group's strategic plan for long-term organic growth and expanding its network of high-quality community imaging centres. The goodwill of \$0.28 million comprises the value of expected synergies arising from the acquisition.

The consideration for the acquisition amounted to \$0.7 million funded from cash reserves. Transaction costs of the acquisition (included in cash flows from investing activities) amounted to \$0.27 million.

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

	\$000
Payment for business and assets	700
Completion adjustment	-
	700
Assumed:	
- Recognition of net debtors/creditors	(4)
- Employee Entitlements	(188)
- Plant and Equipment	560
Recognition of Deferred Tax Asset	56
Goodwill	276
	700

Revenue and profit contribution to 31 December 2022:

Womens' Imaging contributed \$1.4 million of revenue for the Group for the half year period.

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2022

Acquisitions in fiscal year 2021

The Group finalised the accounting of the acquisition of Direct Radiology during the period ended 30 June 2022.

Date of acquisition	Business Name	State	Purchase consideration \$000	Net Assets Acquired \$000	Goodwill \$000
1 February 2021	Direct Radiology	Victoria	11,861	3,989	7,871

Acquisition of Direct Radiology

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

The consideration for the acquisition amounted to \$12.6 million with \$11.9 million funded from cash reserves and existing bank debt facilities and \$0.7 million in issued shares in the Company. The shares are to be held in voluntary escrow until 31 August 2023 and are subject to achieving a revenue target in FY23 and the ongoing employment of the vendors.

The fair value of net assets acquired includes the plant and equipment and other intangible assets comprising the referrer relationship independently valued. At 30 June 2022 the Group accounted for goodwill of \$7.9 million. The fair value of the consideration transferred at acquisition date for Direct Radiology was made up of the following components:

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

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

Revenue and profit contribution to 31 December 2022:

Direct Radiology contributed \$3.8million of revenue for the Group for the half-year period.

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2022

Other Notes

Income Tax Expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The Group has a higher effective tax rate due to the movement in fair value of investments (Note 5) and Impairment of other non-current assets (Note 7) being non-deductible expenses for tax purposes.

Contingent Liabilities

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

Segment Information

The Group has one business segment which is the operation of diagnostic imaging facilities in Australia. Senior management and the directors of Capitol Health regularly review the Group's operating results to allocate resources and assess/review the Group's performance. As the Group operates in a single business and geographic segment no further disclosures are required.

New Accounting Standards and Interpretations

The Group has adopted all new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Directors of the Group do not anticipate that the adoption of any of the amendments not yet adopted will have a material impact on the financial statements of the Group in future periods.

Significant Accounting Estimates, Assumptions and Judgements

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the reported amounts 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.

In preparing the consolidated interim financial report, the significant judgements made by management in applying the Groups' accounting policies and the key source of estimation uncertainty were consistent with those made for the consolidated financial report as at and for the year ended 30 June 2022.

Refer to Note 2.5 in the 30 June 2022 financial statements for the details of key estimates and judgements in relation to our investment in unlisted entity (Enlitic).

Fair Value Measurement of Financial Instruments

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

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2022

Events Occurring after the Reporting Period

Subsequent to 31 December 2022:

Curtailling impact of the Coronavirus (Covid-19) pandemic

The Coronavirus (Covid-19) pandemic tailwinds continue pose a disruption in our operations post half-year end and is mostly reflected through shortage of qualified personnel nationwide. Capitol Health remains alert and will take any necessary action to protect our patients, our personnel, and the wider community.

Dividend

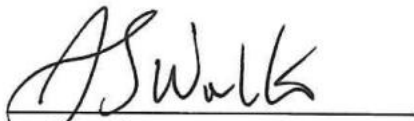
On 23 February 2023 the Company declared an interim fully franked dividend for the half-year ended 31 December 2022 of 0.5 cents per share (31 December 2021: 0.5 cents per share).

Directors' Declaration

In the opinion of the Directors of Capitol Health Limited:

- (a) the attached condensed consolidated financial statements and notes thereto set out on pages 6 to 23, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Justin Walter

Managing Director and Chief Executive Officer
Melbourne, Victoria
23 February 2023

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

Conclusion

We have reviewed the accompanying half-year financial report of Capitol Health Limited ('the Group'), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) a giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

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

Director's Responsibility for the Half-Year Financial Report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke du Toit

Partner

Chartered Accountants

Melbourne, 23 February 2023