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31 January 2018

Companies Announcement Office
ASX Limited

Dear Sir / Madam

Takeover bid in relation to Integral Diagnostics Limited

We act for Capitol Health Limited (ACN 117 391 812) and its wholly owned subsidiary, Capitol Health Holdings Pty Limited (ACN 623 058 499) (**Capitol**).

We refer to the bidder's statement dated 22 December 2017 issued by Capitol in relation to its off-market takeover bid to acquire all of the ordinary shares in Integral Diagnostics Limited (ASX: IDX) (**Original Bidder's Statement**).

In accordance with section 647(3)(b) of the *Corporations Act 2001* (Cth) (**Corporations Act**) and the terms of ASIC Instrument 18-0057, we attach, on behalf of Capitol, a copy of Capitol's first supplementary bidder's statement dated 31 January 2018 (**First Supplementary Bidder's Statement**) that attaches a replacement bidder's statement by Capitol which shows in mark-up the changes that have been made to the Original Bidder's Statement.

Yours sincerely



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Encl.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.
IF YOU ARE IN ANY DOUBT AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR FINANCIAL
OR LEGAL ADVISER AS SOON AS POSSIBLE.

Supplementary Bidder's Statement

In relation to the Offer by **Capitol Health Holdings Pty Limited** (ABN 41 623 058 499), a wholly owned subsidiary of **Capital Health Limited** (ABN 84 117 391 812),

to acquire all of your Shares in

Integral Diagnostics Limited (ABN 55 130 832 816)

Supplementary Bidder's Statement

1 Introduction

This is a supplementary bidder's statement under section 643 of the *Corporations Act 2001* (Cth). It is the first supplementary bidder's statement (***Supplementary Bidder's Statement***) issued by Capitol Health Holdings Pty Ltd (ABN 41 623 058 499) (***Capitol Bidco***) in relation to its off-market takeover bid for all of the shares in Integral Diagnostics Limited (ABN 55 130 832 816).

This Supplementary Bidder's Statement supplements Capitol Bidco's bidder's statement lodged with the Australian Securities and Investments Commission (***ASIC***) on 22 December 2017 (***Original Bidder's Statement***).

Words and phrases defined in the Original Bidder's Statement have the same meaning in this Supplementary Bidder's Statement unless the context requires otherwise.

2 Amendments to Bidder's Statement

This Supplementary Bidder's Statement amends the Original Bidder's Statement in the manner marked-up in the attached.

3 Replacement Bidder's Statement

A replacement bidder's statement (***Replacement Bidder's Statement***) issued by Capitol Bidco replaces the Original Bidder's Statement as amended by this Supplementary Bidder's Statement. Attached to this Supplementary Bidder's Statement is a marked-up copy of the Original Bidder's Statement showing the amendments that have been made as reflected in the Replacement Bidder's Statement. A clean copy of the Replacement Bidder's Statement is issued at the same time as this Supplementary Bidder's Statement.

4 Other notices

A copy of this Supplementary Bidder's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

5 Approval

This Supplementary Bidder's Statement has been approved by a resolution of the Capitol Bidco directors.

Dated 31 January 2018.

Signed on behalf of Capitol Health Holdings Pty Limited:

A handwritten signature in black ink, appearing to read 'A Harrison', written over a horizontal line.

Andrew Harrison

Director

Attachment – Marked-up Bidder's Statement showing changes made as reflected in the Replacement Bidder's Statement

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR FINANCIAL OR LEGAL ADVISER AS SOON AS POSSIBLE.

Bidder's Statement

ACCEPT

The Offer

by

Capitol Health Holdings Pty Limited (ABN 41 623 058 499), a wholly-owned subsidiary of Capitol Health Limited (ABN 84 117 391 812),

to acquire all of your shares in

Integral Diagnostics Limited (ABN 55 130 832 816)

You will receive 6.9 Capitol Shares and A\$0.36 cash for each of your Integral Shares

Please call the Capitol Offer Information Line on 1300 090 799 (toll-free within Australia) or +61 3 9415 4322 (from outside Australia), Monday to Friday between 8.30am and 5.00pm (Melbourne time) if you require assistance. For legal reasons, calls to these numbers will be recorded.

Financial Adviser



Legal Adviser

Allens

Allens is an independent partnership operating in alliance with Linklaters LLP

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Additional Information

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Important Information

This Bidder's Statement is a [replacement Bidder's Statement](#) given by Capitol Health Holdings Pty Limited (ABN 41 623 058 499) (**Capitol Bidco**), to Integral Diagnostics Limited (ABN 55 130 832 816) (**Integral**) under Part 6.5 of the Corporations Act ([as modified by ASIC Class Order \[CO 13/528\]](#)) and relates to the Offer.

You should read this Bidder's Statement in its entirety.

This Bidder's Statement is dated ~~22 December 2017~~ 31 January 2018 and includes an Offer dated [] in section 11. [This Bidder's Statement replaces the original Bidder's Statement lodged with ASIC on 22 December 2017 as supplemented by the first supplementary bidder's statement lodged with ASIC on 31 January 2018. References in the Bidder's Statement to 'the date of this Bidder's Statement' \(or similar\) should be read as references to 31 January 2018.](#)

A copy of this Bidder's Statement was lodged with ASIC on ~~22 December 2017~~ 31 January 2018. Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

This Bidder's Statement does not take into account your individual investment objectives, financial situation or particular needs. You may wish to seek independent financial and taxation advice before deciding whether or not to accept the Offer.

You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this Bidder's Statement, you should obtain independent professional advice.

References in this Bidder's Statement to Capitol's website (www.capitolhealth.com.au) and to Integral's website (www.integraldiagnostics.com.au) are for your reference only. Information contained in or otherwise accessible from those websites are not part of this Bidder's Statement.

A number of defined terms are used in this Bidder's Statement. These terms are explained in section 12 along with certain rules of interpretation which apply to this Bidder's Statement.

Forward-looking statements

This Bidder's Statement may contain forward-looking statements, including but not limited to, projections, forecasts, prospects, returns,

synergies, expectations, and other statements in relation to the outcome and effects of the Offer on the Combined Group. Forward looking statement can generally be identified by the use of forward looking words such as, 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target', 'outlook', 'guidance', 'potential' and other similar expressions within the meaning of securities laws of applicable jurisdictions.

Whilst Capitol Bidco believes that the expectations reflected in the forward-looking statements in this Bidder's Statement are reasonable, such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Capitol Bidco, its directors and management, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There are usually differences between actual results, values, performance or achievements expressed or implied by any forward-looking statements because events and actual circumstances frequently do not occur as forecast, some, or all, of which may be material.

None of Capitol Bidco, Capitol, any of their directors, officers or advisers, or any other person named in this Bidder's Statement with their consent or involved in preparation of this Bidder's Statement, gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Bidder's Statement will actually occur. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements.

The forward-looking statements in this Bidder's Statement only reflect views held as at the date of this Bidder's Statement.

Value of Capitol Shares

The implied value of the Offer will vary with the market price of Capitol Shares. Further information on the implied value of the Offer is contained in this Bidder's Statement.

Information regarding Integral and the Combined Group

Any information in this Bidder's Statement concerning Integral and Integral's assets and securities has been prepared from publicly available information. This information has not been provided by or

on behalf of Integral or independently verified and, accordingly, Capitol Bidco makes no representations and warranties, express or implied, as to the accuracy or completeness of such information to the extent permitted by the Corporations Act.

The information on the Combined Group in this Bidder's Statement, to the extent that it incorporates or reflects information on Integral, has been prepared using publicly available information which has not been provided by or on behalf of Integral or has been independently verified. Accordingly, Capitol Bidco makes no representations and warranties, express or implied, as to the accuracy or completeness of such information to the extent permitted by the Corporations Act.

The information on Integral should not be considered comprehensive. Further information relating to Integral may be included in Target's Statement which will be sent to you by Integral.

Foreign registered shareholders

Integral Shareholders should note that the consideration under the Offer includes Capitol Shares, which are shares in an Australian public company listed on ASX. The Offer is subject to disclosure requirements in Australia which are different from those applicable in other countries. Integral Shareholders whose address in Integral's register of members is not in Australia will not be entitled to receive Capitol Shares on acceptance of the Offer (unless Capitol determines otherwise). Ineligible Foreign Shareholders who accept the Offer will be paid a cash amount calculated in accordance with section 11.8(g) of this Bidder's Statement. This Bidder's Statement does not constitute an offer to issue or sell, or the soliciting of an offer to buy, any securities referred to in this Bidder's Statement in any jurisdiction in which the offer or issue of such securities would be unlawful.

In particular, Capitol Shares have not been, and will not be, registered under the *Securities Act 1933* of the United States of America (**Securities Act**) and may not be offered or sold in the United States or to, or for the account or benefit of, a US person (as defined in Regulation S under the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act and applicable United States state securities laws.

Integral Shareholders who are resident outside of Australia should refer to section 10.8 for further details.

Unmarketable Parcels

If the total number of Capitol Shares you are entitled to receive as consideration under the Offer is an Unmarketable Parcel, you will receive a cash amount for your Integral Shares calculated in accordance with section 11.8(g) as if you were an Ineligible Foreign Shareholder.

Responsibility statement

The information in this statement has been prepared by Capitol Bidco and is the sole responsibility of Capitol Bidco, [except for the Investigating Accountant's Report prepared by RSM Corporate Australia Pty Ltd which is the sole responsibility of RSM Corporate Australia Pty Ltd.](#)

Privacy

Capitol Bidco has collected your information from the Integral register of shareholders for the purpose of making the Offer and, if accepted,

administering your holding of Integral Shares and your acceptance of the Offer. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Capitol Bidco's related bodies corporate and external service providers, and may be required to be disclosed to regulators such as ASIC. The registered address of Capitol Bidco is Level 3, Lorimer Street, Docklands VIC 3008.

How Do I Accept the Offer?

You may only accept the Offer for all of your Integral Shares. Acceptances must be received before the end of the Offer Period.

For Issuer Sponsored Holdings of Integral Shares (Securityholder Reference Number beginning with 'I')

To accept the Offer, complete the enclosed Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to the address specified on the Acceptance Form.

For CHES Holdings of Integral Shares (Holder Identification Number beginning with 'X')

To accept the Offer, either contact your Controlling Participant (usually your broker) and instruct them to accept the Offer on your behalf, or complete the enclosed Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to the address specified on the Acceptance Form.

Capitol Offer Information Line

If you have any questions in relation to the Offer, please call the Capitol Offer Information Line on the following numbers:

Within Australia: 1300 090 799 (toll-free)

Outside Australia: +61 3 9415 4322

Please note that, as required by the Corporations Act, all calls to these numbers will be recorded.

Important Dates

[Original Bidder's Statement lodged with ASIC](#)

22 December 2017

[Replacement Bidder's Statement lodged with ASIC](#)

[31 January 2018](#)

Date of the Offer



Offer scheduled to close (unless extended)

7pm (Melbourne time) on 

Note: The closing date for the Offer may change as permitted by the Corporations Act.

Chairman's Letter

~~22 December 2017~~

31 January 2018

Dear Integral Shareholder,

On behalf of Capitol and Capitol Bidco, I am pleased to make you an offer to become part of a new, stronger and exciting force in diagnostic imaging across Australia, delivering substantial benefits to doctors, employees and referrers.

The Combined Group will be created through a merger of Integral and Capitol, both of which operate complementary networks and partner with high quality healthcare professionals to deliver best-in-class outcomes for patients and doctors.

The Combined Group will have a larger referral network, providing greater revenue opportunities, and will provide doctors of both businesses with greater options for continuing professional development and flexibility to operate across new regions.

Whilst we have had productive discussions with the Integral Board regarding a potential merger in the past, ultimately we were unable to agree key terms. We have therefore taken our offer directly to you, the Integral Shareholders.

As an Integral Shareholder, we are offering to acquire all of your Integral Shares. ~~This~~ The Offer will enable you to become a Capitol Shareholder and receive a combination of cash and Capitol Shares for your Integral Shares.

For each of your Integral Shares, we are offering 6.9 Capitol Shares and A\$0.36 cash, subject to the terms and conditions of the Offer. Based on Capitol's recent share price, ~~this~~ the Offer values each Integral Share at A\$~~2.222~~2.34¹, a premium of ~~18%~~3% to Integral's closing price on the last trading day prior to the Announcement Date~~date of this Bidder's Statement~~² and a ~~discount~~ premium of ~~3%~~24%³ based on Integral's closing price on the last trading day prior to the date of this Bidder's Statement~~Announcement Date~~. The Offer values Integral's equity at approximately A\$~~322~~340 million⁴. By way of an example, if you own 1,000 Integral Shares and you accept the Offer for all of those shares, you will receive 6,900 Capitol Shares plus A\$360 cash under ~~this~~ the Offer⁵.

A number of Integral Shareholders have already expressed their support for ~~this~~ the Offer and to date, ~~Adam Smith Asset Management~~, Microequities Asset Management, Regal Funds Management and Wilson Asset Management have entered into pre-bid acceptance agreements with Capitol pursuant to

¹ Based on a valuation of each Capitol Share of A\$~~0.27000~~0.2875, being the closing price on 30 January 2018, the last trading day prior to the date of this Bidder's Statement.

² Based on a valuation of each Integral Share of A\$~~1.892~~2.27, being the closing price on 28 November 2017~~21 December 2017~~, the last trading day prior to the Announcement Date~~date of this Bidder's Statement~~.

³ Based on a valuation of each Integral Share of A\$~~2.291~~2.89, being the closing price on 30 January 2018~~28 November 2017~~, the last trading day prior to the date of this Bidder's Statement~~Announcement Date~~.

⁴ Equity value is based on 145.0 million Integral Shares on issue, based on Integral's latest Appendix 3B which was lodged with the ASX on 18 December 2017.

⁵ Subject to the Offer becoming unconditional.

which they have collectively agreed to accept, or procure the acceptance of, ~~16.319-55%~~⁶ of Integral Shares, in aggregate, into the Offer in the absence of a superior proposal.

The combination of Capitol and Integral would create a business that is estimated to have underlying pro forma FY18 EBITDA of ~~between~~ approximately ~~A\$68-A\$67 million and A\$70~~ million⁷. Shareholders should benefit from owning shares in a company with greater liquidity and improved access to capital markets to fund growth opportunities. Further, the Combined Group will have a network of 95 sites across Australia including ~~67-68~~ sites in Victoria, 13 sites in Queensland, 5 sites in Tasmania and 9 sites in Western Australia.

Following consultation with the Combined Group's doctors and staff, we intend to rebrand the Combined Group to reflect the creation of one of Australia's leading providers of diagnostic imaging. Capitol recognises and understands the significant role that doctors have in Integral. Capitol will endeavour to complete this merger in a way that facilitates engagement with Integral's doctors to ensure an optimal outcome for all stakeholders in both businesses.

The Combined Group delivers a large doctor and technical group allowing increased investment in training and development, development of a broader range of sub-specialities and allows greater opportunities for recruitment and fellowship programs. The combination of the two businesses will also deliver enhanced scale and in turn an expanded referral network, improved sourcing and supplier benefits.

In addition, a strengthened financial profile and new revenue opportunities will also enable greater investment in professional development and attracting best-in-class practitioners, including through centres of excellence.

The Combined Group will see Integral Shareholders gain access to international markets. Further, Capitol's substantial investment in Enlitic, a leading medical artificial intelligence company, will ensure that clinicians and patients have access to leading technologies as they develop.

~~This~~ The Offer will present Integral Shareholders with the opportunity to make the most of the current positive trading outlook, clearer regulatory environment and improved market conditions. It also provides the chance to unlock, and benefit from, greater scale and greater investment, especially in technology and innovation, and greater growth prospects, here in Australia and internationally, which ultimately positions the Combined Group to generate greater returns.

Bringing together Integral's and Capitol's network footprints and capabilities, creating efficiencies, synergies and value while retaining the high quality of each business, is something that all shareholders can look forward to and participate in.

I encourage you to read this Bidder's Statement carefully and I hope that you will conclude that ~~this~~ the Offer will represent both excellent value for your Integral Shares and an opportunity to participate in an exciting future for the Combined Group.

Now is the right time for us to pursue what we believe to be a great opportunity for practitioners and shareholders alike.

⁶ Regal Funds Management, in relation to 5.13% of Integral shares, together with an obligation to procure the acceptance of an additional 4.91% of Integral Shares into the Offer. In addition to ~~Adam Smith Asset Management (3.25%)~~, Microequities Asset Management (2.00%), Wilson Asset Management (4.26%).

⁷ Refer to section 6.9 for further detail.

The Offer is open for acceptance until 7pm (Melbourne time) on [✱], unless extended.

I urge you to accept as soon as possible. The Offer is subject to a number of conditions, including Capitol Bidco acquiring a relevant interest in at least 90% of the Integral Shares. To accept the Offer you should follow the instructions detailed on the enclosed Acceptance Form and on the inside front cover of this Bidder's Statement.

If you have any questions in relation to the Offer, please contact the Capitol Offer Information Line on 1300 090 799 (toll free from within Australia) or +61 3 9415 4322 (from outside Australia), Monday to Friday between 8.30am and 5.00pm (Melbourne time).

I look forward to the opportunity to welcome you as a new shareholder of Capitol.

Regards,

A handwritten signature in black ink, appearing to read 'Andrew', followed by a long horizontal flourish.

Andrew Demetriou
Chairman
Capitol Health Limited

Investment Overview

The information set out in this section is intended to provide you with an overview of Capitol, Capitol Bidco, the Offer and the risks that you should consider.

The information in this section is not intended to be comprehensive and should be read in conjunction with the detailed information contained in the other sections of this Bidder's Statement.

The full terms and conditions of the Offer are contained in section 11.

Part A - Summary of the Offer

Question	Answer	Section
Who is making the Offer?	Capitol Bidco is offering to acquire all of your Integral Shares.	Section 11 contains the full terms and conditions of the Offer. See the definition of "your Integral Shares" in section 11.
What is the Offer?	<p>This Bidder's Statement relates to the Offer by Capitol Bidco to acquire all of your Integral Shares by way of an off-market takeover on the terms and conditions set out in this Bidder's Statement.</p> <p>The Offer consideration is 6.9 Capitol Shares and A\$0.36 cash for each Integral Share.</p> <p>The Offer relates to all Integral Shares that exist, or will exist, on the Register Date and to all Integral Shares issued before the end of the Offer Period as a result of the vesting and exercise of any Integral Options and Integral Performance Rights that are on issue at the Register Date.</p>	Section 2 provides further information about Capitol.
When does the Offer close?	The Offer is scheduled to close at 7pm (Melbourne time) on [1]. You should note that the Offer Period can be extended as required or permitted by the Corporations Act.	Section 11.2 provides further information in relation to the Offer Period.
What are the conditions of the Offer?	<p>The Offer is subject to the Defeating Conditions, which are set out in full in section 11.6.</p> <p>In summary, those conditions include requirements that:</p> <ul style="list-style-type: none">• Capitol Bidco acquires a relevant interest in at least 90% of the Integral Shares;• receipt of all required regulatory approvals, if any;• no regulatory actions;• no material adverse change;• no material acquisitions, disposals, new commitments or other events;	<p>For a full list of the Defeating Conditions, please refer to section 11.6.</p> <p>Section 10.11 provides further information regarding the status of the Defeating Conditions.</p> <p>Section 11.7 contains further information regarding the nature of the Defeating Conditions</p>

	<ul style="list-style-type: none"> • no change of control or other rights; • no cessation of licences, registrations, certifications or accreditations; • no dividends; • equal access to information; and • no prescribed occurrences. <p>Full details of all of the conditions, and the status of each of the conditions as at the date of this Bidder's Statement, is discussed in sections 10.11 and 11.6.</p> <p>If the conditions are not satisfied or waived by the end of the Offer Period, then the Offer will lapse and, in this case, each of the Integral Shares that you accepted into the Offer will be returned to you.</p>	and the consequences of non-fulfilment.
How do I accept the Offer?	See the section on the inside front cover of this Bidder's Statement, as well as the instructions on the enclosed Acceptance Form.	Please refer to section 11.3 for further information regarding how to accept the Offer.
Can I accept the Offer for part of my holding?	<p>You cannot accept the Offer for part of your holding.</p> <p>You can only accept the Offer for all of your Integral Shares.</p>	Please refer to section 11.3 for further information.
Can I revoke my acceptance?	Once you accept the Offer, you will be unable to revoke your acceptance, except in limited circumstances in accordance with the Corporations Act.	Please refer to section 11.5 for further information regarding your obligations to Capitol Bidco, if you accept the Offer.
If I accept the Offer, when will I be paid?	If you accept the Offer in accordance with the instructions contained in the Offer and the Acceptance Form, you will be sent payment within one month after the later of the date that you accept and the date that the Offer becomes unconditional. In any event, assuming the conditions of the Offer are satisfied or waived, you will be sent payment within 21 days after the Offer closes.	Please refer to section 11.8 for further information.
What are the tax implications if I accept the Offer?	<p>You should consult your financial, tax or other professional adviser on the tax implications of acceptance.</p> <p>However, section 8 contains a general summary of the major likely Australian tax consequences for Integral Shareholders who accept the Offer.</p>	Please refer to section 8 for further information.
Do I pay brokerage or stamp duty if I accept the Offer?	<p>You will not pay stamp duty on the disposal of your Integral Shares if you accept the Offer.</p> <p>If your Integral Shares are registered in an Issuer Sponsored Holding in your name and you deliver</p>	<p>Please refer to section 8 for further information.</p> <p>Sections 10.8 and 11.8(g) contain further</p>

	<p>them directly to Capitol Bidco, you will not incur any brokerage in connection with your acceptance of the Offer.</p> <p>If your Integral Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Integral Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.</p> <p>If you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Holder, brokerage will be payable in respect of the sale of the Capitol Shares that you would otherwise be entitled to receive under the Offer.</p>	<p>information regarding Ineligible Foreign Shareholders.</p> <p>Section 11.8(h) contains further information regarding Unmarketable Parcel Holders.</p>
Can I sell my Integral Shares on-market during the Offer Period?	<p>You may sell all, or some, of your Integral Shares on-market during the Offer Period, but you may incur brokerage or other transaction costs if you elect to do so.</p> <p>However, if you accept the Offer, you agree not to sell your Integral Shares to anyone other than Capitol Bidco, and you will not be able to sell any of your Integral Shares on-market after the date on which you accept the Offer.</p>	<p>Please refer to section 11.5 for further information regarding your obligations to Capitol Bidco, if you accept the Offer.</p>
What happens if I do not accept the Offer?	<p>You will remain an Integral Shareholder and will not receive the consideration offered by Capitol Bidco. However, if Capitol Bidco becomes entitled to compulsorily acquire your Integral Shares, it intends to do so. If your Integral Shares are compulsorily acquired by Capitol Bidco, it will be on the same terms (including the same consideration for each Integral Share acquired) as the Offer. However, you will receive the consideration later than the Integral Shareholders who choose to accept the Offer.</p> <p>If Capitol Bidco does not become entitled to compulsorily acquire your Integral Shares, you will remain an Integral Shareholder.</p>	<p>Please refer to section 5.3 for further information regarding the intentions of Capitol Bidco, if it becomes entitled to proceed with compulsory acquisition.</p>

Part B – Overview of Capitol and Capitol Bidco

Question	Answer	Further Information
Who are Capitol and Capitol Bidco?	<p>Capitol is a public company incorporated in Australia, which was admitted to the official list of the ASX on 9 June 2006 (ASX Code: CAJ). Capitol, which trades predominantly under its flagship 'Capital Radiology' brand, is a leading</p>	<p>Please refer to sections 2 and 3 for further information.</p>

Question	Answer	Further Information
	<p>provider of diagnostic imaging and related services to the Australian healthcare market. The market capitalisation of Capitol as at close of trading on the day prior to the date of this Bidder's Statement is approximately A\$217²³⁰ million.</p> <p>Capitol conducts more than 1 million procedures every year and employs approximately 574 people, including approximately 64 radiologists.</p> <p>Capitol's operations focus on delivering a community-based infrastructure for radiologists and related medical practitioners to provide optimal, efficient, accurate healthcare service outcomes for patients.</p> <p>The facilities in which Capitol operates are predominately community-based rather than hospital-based, with priority given to service and minimisation of administrative burdens for healthcare professionals.</p> <p>Capitol Bidco is a wholly-owned subsidiary of Capitol incorporated in connection with the Offer.</p>	

Question	Answer	Further Information
What is the financial profile and performance of Capitol?	<p>The financial position of Capitol as at 30 June 2017 can be summarised as follows:</p> <ul style="list-style-type: none"> Total assets of \$204.4 <u>A\$204.4</u> million Net assets of \$119.0 <u>A\$119.0</u> million Net debt of \$59.7 <u>A\$41.5</u> million <p>For the financial year ending 30 June 2017, Capitol's results were as follows:</p> <ul style="list-style-type: none"> Total revenue from continuing operations of \$109.9 <u>A\$109.9</u> million Net profit for the year from continuing operations of \$1.7 <u>A\$1.7</u> million 	Please refer to section 2.5 <u>2.6</u> for further information.
Who are the Capitol Directors?	<p>The Directors of Capitol are as follows:</p> <ul style="list-style-type: none"> Andrew Demetriou, Chairman and Non-Executive Director Andrew Harrison, Managing Director Nicole Sheffield, Non-Executive Director Richard Loveridge, Non-Executive Director 	Please refer to section 2.3 for further information.
Who are the Capitol Bidco Directors?	<p>The Directors of Capitol Bidco are as follows:</p> <ul style="list-style-type: none"> Andrew Demetriou Andrew Harrison 	Please refer to section 2.4 for further information.
Will my new Capitol Shares be listed on ASX?	<p>Capitol will apply to ASX for Official Quotation <u>official quotation</u> of all Capitol Shares issued under the Offer. Official Quotation <u>quotation</u> of these Capitol Shares will depend on ASX exercising its discretion.</p> <p>However, as Capitol is already admitted to the official list of ASX and Capitol Shares are already quoted, Capitol is of the view that quotation of the shares to be issued under the Offer will be granted.</p>	Please refer to section 3.6 for further information.
Will my new Capitol Shares have the same rights and liabilities as all other Capitol Shares?	The new Capitol Shares issued under this <u>the</u> Offer will rank equally (including rights relating to dividends) with existing Capitol Shares.	Please refer to section 3.6 for further information.
Do the Capitol Directors have any interests in Integral Shares?	None of the Capitol Directors have any interests in Integral Shares.	Please refer to section 4.11 for further information.

Question	Answer	Further Information
Do the Capitol Directors have any interests in Capitol Shares?	Yes. A number of the Capitol Directors, 7 and a number of key management personnel, 7 have an interest in Capitol Shares.	Please refer to section 3.5 for further information.

Part C – Overview of risks

The following is a summary of the key risk factors which you should consider in deciding whether to accept the Offer. This list is not exhaustive and is not a substitute for careful consideration of section 9 which describes both these risk factors, and other risk factors in detail.

Risk	Summary	Further Information
Key risks relating to the Combined Group		
Regulatory risk	<p>The diagnostic imaging industry is subject to laws, government policies and regulations.</p> <p>Changes to these laws, government policies and regulations could have a material adverse impact on the financial and operational performance of the Combined Group.</p>	Please refer to section 9.2(a) for further information.
Changes to Medicare Rebates	<p>The eligibility for, and level of, Commonwealth Government rebates for diagnostic imaging services depends on a number of factors, including the nature of the service, where the service is provided, who the service is provided to, the Referrer and the equipment used to provide the service.</p> <p>The MBS fee applicable to each diagnostic imaging service eligible for Medicare (and therefore the applicable Medicare rebate, which is a percentage of this fee) has been affected over a number of years by Commonwealth Government budgetary considerations, and does not bear any reliable relationship to either the unit cost or market value of the service.</p> <p>In the future, non-indexation of MBS fees for diagnostic imaging services by the Commonwealth Government, or a reduction in MBS fee levels, could reduce the level of patient rebates. In turn, this would lead to an increase in out-of-pocket costs incurred by patients, which may adversely affect the affordability and demand for the Combined Group's services.</p>	Please refer to section 9.2(b) for further information.
Changes to eligibility criteria for equipment rebates	Specific and detailed equipment eligibility criteria, known as 'capital sensitivity', govern the level of rebates available in respect of diagnostic imaging services that will be provided by the Combined	Please refer to section 9.2(c) for further information.

Risk	Summary	Further Information
	<p>Group.</p> <p>Changes to capital sensitivity rules could result in the Combined Group having to refurbish current equipment or acquire new equipment earlier than intended, failing which the Combined Group's patients would face increased out-of-pocket expenses.</p>	
<p>Recruitment and retention of key management personnel, radiologists and technical professionals</p>	<p>The successful operation of the Combined Group's business will rely on the Combined Group's ability to recruit and retain key management personnel, radiologists and technical professionals.</p> <p>The unexpected loss of these key persons, in particular, radiologists, or the inability on the part of the Combined Group to attract such key persons may adversely affect the ability of the Combined Group to generate revenue, and to develop and implement its business strategies.</p>	<p>Please refer to sections 9.2(d) and 9.2(e) for further information.</p>
<p>Referrals</p>	<p>Referrers must refer a patient to a diagnostic imaging services provider in order for those diagnostic imaging services to be eligible for a full or partial Medicare rebate.</p> <p>If a sufficiently large number of Referrers were to discontinue referring patients to the Combined Group, the volume of diagnostic imaging services that the Combined Group undertakes could decrease, which would adversely affect the Combined Group's business, financial position and prospects.</p>	<p>Please refer to section 9.2(f) for further information.</p>
<p>Financial disclosure</p>	<p>Capitol and Integral may have different approaches to accounting policies and procedures which could have a material impact on the Combined Group financial information presented in Section 6.</p>	<p>Please refer to section 9.2(g) for further information.</p>
<p>Competition risk</p>	<p>The market for diagnostic imaging services is competitive and dynamic. Some of the Combined Group's competitors may now or in the future have access to greater financial resources than the Combined Group does, or may have access to newer, more advanced equipment, which may affect the operating performance of the Combined Group. If there is an increase in competition within the diagnostic imaging services market, future operating costs may rise and the prices that the Combined Group is able to charge for its services may fall, which may</p>	<p>Please refer to section 9.2(g)9.2(h) for further information.</p>

Risk	Summary	Further Information
	adversely affect the business, financial position and prospects of the Combined Group.	
Key risks arising from the Offer		
Issue of Capitol Shares as consideration	Integral Shareholders are being offered consideration under the Offer that consists of a specified number of Capitol Shares, rather than a number of Capitol Shares with a specified market value. As a result, the value of the consideration will fluctuate depending upon the market value of the Capitol Shares.	Please refer to section 9.3(a) for further information.
Integration risks	There are risks that integration of the businesses of Capitol and Integral may take longer than expected and that anticipated benefits of that integration may be less than estimated. These risks include possible differences in the management culture of the two groups, inability to achieve synergy benefits and cost savings, and the potential loss of key personnel.	Please refer to section 9.3(b) for further information.
Termination of contracts	A change in control of Capitol and/or Integral may occur as a result of the Offer. It is possible that material contracts to which either Capitol or Integral is a party may be subject to review or termination upon such a change of control. Should any such contracts be terminated, the Combined Group would lose the benefit of the contract and may not be able to obtain similarly favourable terms upon entry into replacement arrangements (should replacement arrangements be available).	Please refer to section 9.3(c) for further information.

1 Why You Should Accept The Offer

1.1 Why a merger of Capitol and Integral makes sense

The Combined Group will bring together Capital Radiology, Imaging @ Olympic Park, Global Diagnostics, Lake Imaging, Radiology Tasmania and South Coast Radiology, to create one of Australia's leading providers of diagnostic imaging services, operating a combined network of highly complementary clinics and hospital sites.

The Combined Group would preserve Capitol and Integral's strong partnerships with high quality healthcare professionals to deliver best in class outcomes for both patients and doctors of both businesses.

Capitol Bidco believes that the merger presents an attractive opportunity for both Integral and Capitol Shareholders for the following reasons:

- **Strategic alignment of Capitol and Integral:** Capitol and Integral operate complementary networks and partner with high quality healthcare professionals to deliver best-in-class outcomes for patients and doctors in each business.
- **Benefits to Integral Doctors:** The Combined Group will have a larger referral network, providing greater revenue opportunities, and will provide doctors of both businesses with greater options for continuing professional development and flexibility to operate across new regions.
- **Greater scale and financial strength to capitalise on growth opportunities in the healthcare market:** Strong platform to leverage the industry consolidation opportunity with a balance sheet and free cash flow to support accelerated investment in growth.
- **Diversified geographic and clinical profile with upside:** The Combined Group will have a more diverse growth platform across modalities, geography, hospitals and community practices with a network of [94-95](#) locations, including [67-68](#) sites in Victoria, 13 sites in Queensland, 5 sites in Tasmania and 9 sites in Western Australia.
- **Synergies:** Estimated annual pre-tax cost synergies of A\$5 million⁸.

The Combined Group will have a greater capacity to invest in expansion, attract quality healthcare professionals and external investment and create value for all shareholders. Following consultation with the Combined Group's doctors and staff, the Combined Group will be rebranded to reflect the creation of one of Australia's leading providers of diagnostic imaging.

[Capitol Directors intend Capitol to target a dividend payout ratio of between 65% and 75% of Capitol's NPATA \(net profit after tax and amortisation\) and to the extent possible, would seek to frank any dividends. However, the level of any dividend payout ratio may vary depending on a range of factors. See section 5.3\(d\) for further information.](#)

⁸ On a run-rate basis, and excluding ~~one-off~~ transaction-, [restructure](#) and integration costs.

1.2 Highlights

Capitol Bidco believes that the Offer provides significant benefits to Integral Shareholders. These benefits are set out below.

1	Represents a significant premium to Integral share trading levels (and a premium to the Integral IPO price) and the cash component of the Offer provides Integral Shareholders with liquidity for a portion of their interest in Integral shares
2	Provides Integral Shareholders with exposure to the Combined Group
3	Ability to benefit from synergies generated by the Combined Group
4	Establishes one of Australia's leading providers of diagnostic imaging services, with a more diverse growth platform across modalities, geography, hospitals and community practices
5	Provides exposure to diagnostic imaging artificial intelligence through Enlitic and the Chinese market through joint venture arrangements
6	Integral Shareholders will not have to pay stamp duty and may not have to pay brokerage in respect of the transfer of their Integral Shares under the Offer
7	Integral Shareholders are expected to be eligible for partial CGT rollover relief in respect of the transfer of their Integral Shares under the Offer

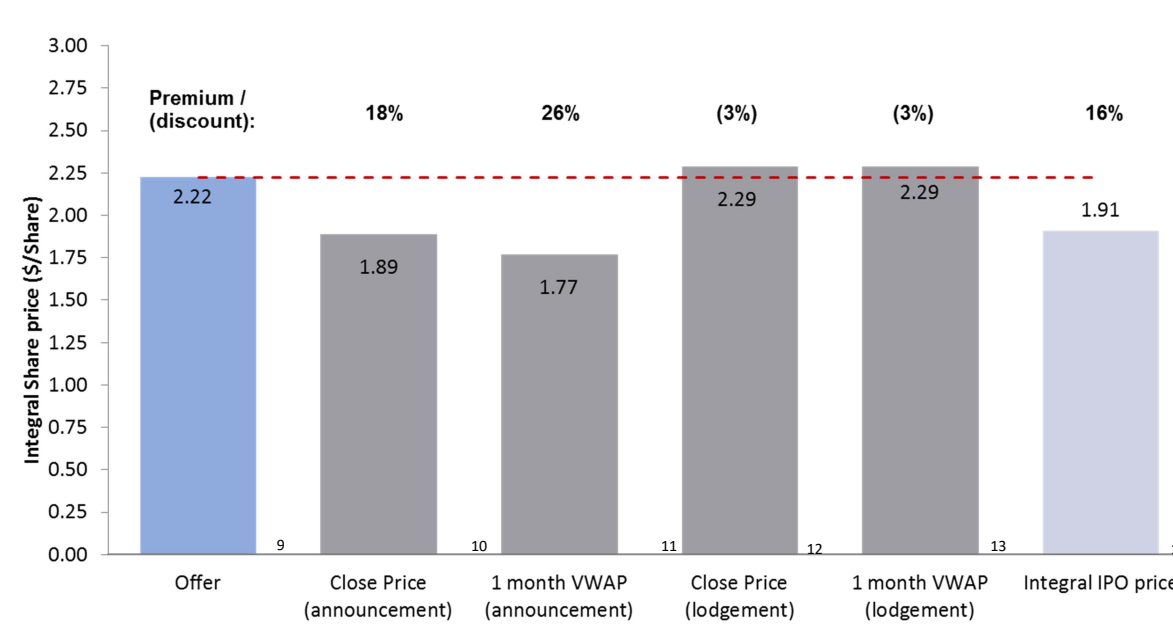
The above table is a headline summary of some of the benefits to Integral Shareholders that Capitol Bidco considers the Offer provides. These benefits are explained in further detail on the following pages. In considering these benefits, Integral Shareholders should also bear in mind that the Offer is subject to a number of risks which are set out in section 9 of this Bidder's Statement. If you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Holder, you will receive cash and will not become a Capitol Shareholder. Therefore benefits 2, 3, 4, 5 and 7 would not be applicable to you.

1.3 Receive a premium of ~~26%~~32% for your Integral Shares

Capitol Bidco is offering 6.9 Capitol Shares plus A\$0.36 cash, for each of your Integral Shares (unless you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Holder).

The implied value of the Offer represents a significant premium of ~~26%~~32% based on the one month VWAP of Integral Shares of A\$1.77, and ~~18%~~24% based on the closing price of Integral Shares of A\$1.89, prior to the Announcement Date. The implied value of the Offer represents a ~~discount~~ premium of ~~3%~~6% based on the one month VWAP of Integral Shares of A\$~~2.29~~2.21, and 3% based on the closing price of Integral Shares of ~~A\$2.27~~A\$2.29, prior to the date of this Bidder's Statement.

The implied value of the Offer represents a significant premium to a range of historical trading prices for Integral Shares prior to the date of this Bidder's Statement.^{9 10 11 12 13 14}



1.4 Share in an Exciting Future for the Combined Group

⁹ Based on a valuation of each Capitol Share of A\$0.27002875, being the close price on 30 January 2018~~21 December 2017~~, the last trading day prior to the date of this Bidder's Statement.

¹⁰ Offer premium relative to the close price on 28 November 2017, the last trading day prior to the Announcement Date.

¹¹ Offer premium relative to the 1 month VWAP calculated from the last trading day prior to the Announcement Date.

¹² Offer premium relative to the close price on 30 January 2018~~21 December 2017~~, the last trading day prior to the date of this Bidder's Statement.

¹³ Offer premium relative to the 1 month VWAP calculated from the last trading day prior to the date of this Bidder's Statement.

¹⁴ Offer premium relative to the IPO price of Integral on 21 October 2015.

A merger of Capitol and Integral will create a Combined Group with a network footprint, scale and investment capacity that will be well positioned to meet the growing demand for high quality diagnostic imaging services and will establish one of Australia's leading providers of diagnostic imaging, through its network of clinics and hospital practices.

Capitol and Integral operate complementary networks, partnering with high quality healthcare professionals to deliver best-in-class outcomes for patients and doctors of both businesses. The Combined Group will have a larger referral network, providing greater revenue opportunities, and will provide doctors of both businesses with greater options for continuing professional development and flexibility to operate across new regions. Capitol will continue to promote the development of centres of excellence such as Imaging ~~at~~ @ Olympic Park.

The Combined Group will have a more diverse growth platform across modalities, geography, hospitals and community practices. Capitol's strong presence through metropolitan community clinics in key growth corridors across Victoria is complemented by Integral's regionally focused operations in Victoria and strong positions in Western Australia and Queensland. Capitol will gain exposure to Integral's hospital contracts, whilst Integral will benefit from Capitol's exposure to diagnostic imaging artificial intelligence through Enlita and its China Joint Ventures with CITIC Pharmaceutical (Shenzhen) Co., Ltd (**CITIC Pharmaceutical**) and Xiamen Zhouxin Medical Image Co., Ltd (**Zhouxin**).

Capitol Bidco believes that ~~if Capitol Bidco acquires 100% of the Integral Shares,~~ a truly integrated network would be formed with forecast annual:

- Revenue of ~~over A\$320~~ between A\$318 million and A\$326 million per year¹⁵
- EBITDA of ~~A\$68~~ between A\$67 million and A\$70 million including estimated synergies¹⁶
- Net Profit After Tax of ~~A\$31~~ between A\$32 million and A\$34 million including estimated synergies¹⁷
- Synergies of approximately A\$5 million (estimated)¹⁸
- Pro forma market capitalisation of approximately A\$~~488~~518 million¹⁹

1.5 Synergies

Capitol Bidco's analysis and review of publicly available information on Integral and its experience with previous industry integration has led it to consider that, if Capitol Bidco acquires 100% of the Integral Shares, potential pre-tax cost synergies of approximately A\$5 million savings per annum should be realised within the first 12 months of trading by the Combined Group.

The potential synergies have been assessed by Capitol Bidco as realisable through:

- removing duplication of costs across the operations of the Combined Group including such areas as head office, board, senior executives, technology, audit and corporate services;
- savings from greater purchasing power and the rationalisation of suppliers;
- removing costs associated with Integral being listed on ASX; and
- leveraging best practice for corporate processes and systems.

¹⁵ Refer to section 6.9 for further detail.

¹⁶ Refer to section 6.9 for further detail.

¹⁷ On a run-rate basis, and excluding ~~one-off~~ transaction ~~restructure~~ and integration costs.

¹⁸ Refer to section 6.9 for further detail.

¹⁹ Based on a valuation of each Capitol Share of A\$0.~~2700~~2875, being the closing price on ~~30 January 2018~~21 December 2017, the last trading day prior to the date of this Bidder's Statement. Assuming all of the Integral Options are exercised and all of the Integral Performance Rights vest and the holders of such Integral Options and Integral Performance Rights accept the Offer.

The potential synergies are based on estimates by Capitol Bidco. Capitol Bidco has not discussed its analysis of achievable synergies with Integral management and does not yet have available to it (based on the publicly available information) sufficient information to develop a detailed integration plan to achieve the synergies.

In addition, there may be potential revenue synergies available from optimisation of the Combined Group's facilities network.

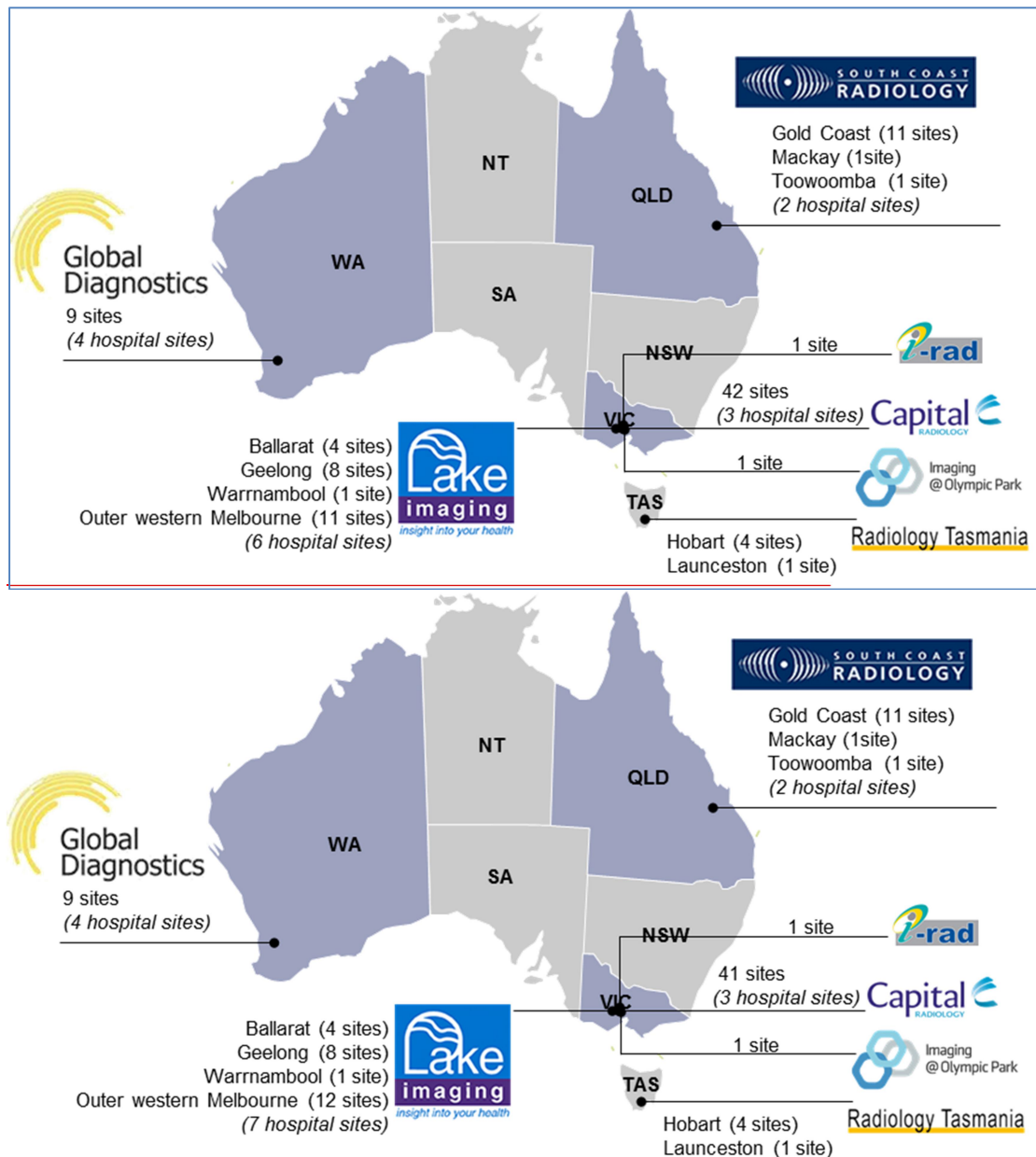
The extent and timing of the benefit of the potential synergies is currently uncertain and will depend on, among other things, whether or not Capitol Bidco is able to acquire 100% of Integral and the results of the operational review that Capitol intends to conduct following the conclusion of the Offer, as referred to in section 5.

The full benefit of the potential synergies would not be available if Capitol Bidco acquires less than 100% of Integral. Relevantly, Capitol Bidco reserves its right to declare the Offer free from the minimum acceptance condition (or any other Defeating Condition) to the Offer.

1.6 Greater scale and financial strength

The Combined Group is estimated to have underlying unaudited pro forma FY18 EBITDA of ~~A\$68~~ between A\$67 million and A\$70 million and a pro forma market capitalisation of approximately ~~A\$488.548~~ million.²⁰

Map of Combined Group locations



²⁰ Based on a valuation of each Capitol Share of A\$0.2700~~2875~~, being the close price on 30 January 2018~~21 December 2017~~, the last trading day prior to the date of this Bidder's Statement. Assuming all of the Integral Options are exercised and all of the Integral Performance Rights vest and the holders of such Integral Options and Integral Performance Rights accept the Offer.

The Combined Group will have a more diverse growth platform across modalities, geography, hospitals and community practices with a network of ~~94~~95 locations across Australia including ~~67~~68 sites in Victoria (including ~~9~~10 hospital sites), 13 sites in Queensland (including 2 hospital sites), 5 sites in Tasmania and 9 sites in Western Australia (including 4 hospital sites).

Holding shares in the Combined Group compared to Integral Shares should result in owning shares in a company with a larger balance sheet, greater liquidity and greater capacity to access capital to fund further growth opportunities. Refer to section 6 for financial information on the Combined Group.

The increased scale of the Combined Group should enhance capital market interest as well as provide Integral Shareholders (who accept the Offer and become Capitol Shareholders) with increased liquidity compared with historical trading of Integral Shares.

1.7 Access to AI and Asian markets

Integral will benefit from Capitol's exposure to diagnostic imaging artificial intelligence through Enlitic and its China Joint Ventures with CITIC Pharmaceutical and Zhouxin²¹.

Enlitic: Enlitic LLC is a medical deep learning company dedicated to revolutionising diagnostic healthcare, headquartered in San Francisco, California. Enlitic's unique algorithms were engineered from the ground up by renowned data scientists, machine learning practitioners, and medical experts. By combining medical images, texts, and other data, Enlitic insights leverage billions of clinical cases to accelerate pharmaceutical research and drug trials, drive clinical efficiencies, and improve diagnostic accuracy, speed and patient outcomes. Enlitic has received numerous independent accolades for its technologies including:

- being named one of the "50 Smartest Companies" by MIT Tech 2016 Review; and
- winning the 2017 Annual Cube Tech Fair in Berlin, Germany together with €1 million prizemoney against 500 start-ups from around the world. The competition was part of Enlitic's transition towards commercialising its medical deep learning technology and an ideal opportunity to showcase its array of applications in pharmaceutical research, clinical diagnostics and patient care.

[Further information on Enlitic Inc. is also available on its website: www.enlitic.com.](http://www.enlitic.com)

CITIC Pharmaceutical and Zhouxin: On 20 February 2017, Capitol entered into an equity joint venture agreement (**JV**) with CITIC Pharmaceutical and Zhouxin to provide consulting and clinic management services to a network of independent imaging clinics to be created by CITIC and Zhouxin across mainland China. The name of ~~Joint Venture~~ [the JV](#) is China-Australia Medical Imaging (Shenzhen) Co., Ltd. (**CAMI**). CITIC Pharmaceutical, a majority controlled subsidiary of CITIC Medical and Health Group Co., Ltd (a wholly owned subsidiary of CITIC Group), is a large comprehensive pharmaceutical enterprise integrating medicine supply to hospitals, cross-regional commercial distribution, medical investment, medical instruments and consumables sales, and a medicine retailing service. Zhouxin is a premium healthcare chain headquartered in Xiamen, Fujian province, China. CITIC Pharmaceutical is a shareholder in Zhouxin, a market leader in cardiovascular MRI and offers health services including healthcheck, medication, healthcare, senior care, and a health club for very high net worth patients, called Top Boss. [The JV is currently awaiting regulatory approvals in China and has not yet commenced operations.](#)

²¹ Further detail contained on Capitol's investment in Enlitic Inc. and Joint Venture arrangements is contained in Capitol's AGM presentation on 22 November 2017.

1.8 Integral Shareholders ~~will not pay stamp duty or~~ may not pay any brokerage to accept the Offer

Integral Shareholders ~~will not have to pay stamp duty and~~ may not pay any brokerage on the transfer of their Integral Shares under the Offer.

Issuer Sponsored Holding: If your Integral Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Capitol Bidco, you will not incur any brokerage fees ~~or be obliged to pay stamp duty~~ in connection with your acceptance of the Offer.

CHESS Holding: If your Integral Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Integral Shares are registered in the name of a broker, bank, custodian or other nominee, ~~you will not be obliged to pay stamp duty by accepting the Offer, and~~ it is unlikely that you will be obliged to pay brokerage. However, you should ask your Controlling Participant (usually your broker) or nominee as to whether it will charge any transactional fees or service charges in connection with your acceptance of the Offer.

1.9 Integral Shareholders are expected to be eligible for CGT rollover relief for the transfer of their Integral Shares

If, as a result of the Offer, Capitol Bidco becomes the holder of 80% or more of Integral Shares on issue and you would otherwise make a capital gain in respect of the disposal of your Integral Shares, you may be entitled to scrip for scrip CGT roll-over relief.

Such roll-over relief, if available, allows you to disregard any capital gain that would otherwise arise for Australian income tax purposes in respect of the disposal of your Integral Shares. See section 8 for further information in relation to the availability of CGT roll-over relief and taxation considerations generally.

The information set out in this Bidder's Statement relates solely to tax legislation in Australia and is current as at the date of this Bidder's Statement. If you are resident in countries other than Australia or if you hold your Integral Shares on capital account you should seek your own independent tax advice in relation to ~~this~~ the Offer and the tax consequences of accepting the Offer.

2 Profile of Capitol and the Capitol Group

2.1 Overview of Capitol and Capitol Bidco

Capitol is a public company incorporated in Australia, which was admitted to the official list of the ASX on 9 June 2006 (ASX Code: CAJ). Capitol, which trades predominately under its flagship 'Capital Radiology' brand, is a leading provider of diagnostic imaging and related services to the Australian healthcare market. The market capitalisation of Capitol as at the date prior to the date of this Bidder's Statement is approximately A\$~~217~~²³⁰ million.

Capitol Bidco is a wholly-owned subsidiary of Capitol, which was incorporated on 24 November 2017 in connection with the Offer.

2.2 Principal assets and activities

(a) Core operations

Headquartered in Melbourne, Victoria, Capitol owns and operates 43 clinics throughout Victoria and currently conducts more than 1 million procedures every year. With the acquisition of Radiology Tasmania and ~~I-Rad~~ I-rad there will be 574 employees, including 64 radiologists. The acquisition of I-rad completed on 22 January 2018. The acquisition of Radiology Tasmania has not yet completed but it is anticipated that completion will occur in early February and by no later than 28 February 2018 (unless agreed otherwise). Please refer to section 10.2 for further information.

Trading primarily under its flagship brand 'Capital Radiology', Capitol provides a range of diagnostic imaging services. Roughly 90% of Capitol's operating revenue is generated through X-Ray, Ultrasound CT and MRIs; additional services provided by Capitol include nuclear medicine, mammography / breastscreen, bone densitometry, and other related services.

The facilities in which Capitol operates are predominately community-based rather than hospital-based, with priority given to service and minimisation of administrative burdens for healthcare professionals.

The following table sets out an overview of each of Capitol's businesses, including its state of operation, core markets, sites, hospital sites and MRI machines and licences.

Overview of Capitol's operations			
	  	<u>Radiology Tasmania</u>	Total
State of operation	Victoria	Tasmania	
Core markets	Melbourne Area	Hobart Area, Launceston	
Sites (includes hospital sites)	43	5	48
Hospital sites	3	0	3
MRI machines	15	2	17
MRI Licences	*1 full 8 partial	1 full 0 partial	2 full 8 partial
Employed Radiologists	55	9	64
Employees (excluding	443	67	510

Radiologists)			
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*In December 2016 the Department of Health approved a swap between a partial MRI licence at Imaging @ Olympic Park (located in central Melbourne) and a significantly underutilised full MRI licence in Mildura for a period of at least 12 months. The full MRI license continues to operate at Imaging @ Olympic Park. The Department of Health is currently in the process of reviewing the 12 month condition, and Capitol has no reason to believe that the Imaging @ Olympic Park MRI licence will not be maintained.

(b) Capitol's strategy

Capitol's operations focus is on delivering a community-based infrastructure for radiologists and related medical practitioners to provide optimal, efficient, accurate healthcare service outcomes for patients.

(c) China joint venture

Capitol has also recently entered the Chinese diagnostic imaging market through an equity joint venture with CITIC Pharmaceutical and Zhouxin.

(d) Investment in artificial intelligence

In October 2015, Capitol announced it had entered into an agreement with Enlitic LLC, a San Francisco-based developer of "deep learning" and artificial intelligence technology for application in diagnostic imaging, to commercialise Enlitic's technology for Capitol's exclusive use in Australia and allow for further collaboration globally. Enlitic's data driven tools will assist in making Capitol's radiology diagnostics faster, more accurate, and more accessible.

Capitol holds ~~preference shares in Enlitic which represents approximately 25~~25.12% of Enlitic's issued capital on an undiluted basis and 16.37% on a diluted basis, ~~giving Capitol which gives it~~ the right to appoint one director to the Enlitic board. Capitol's current nominee director of Enlitic is Andrew Harrison. Capitol also has exclusive rights to Enlitic's technology in Australia for a period of five years and is entitled to a percentage of Enlitic's revenue generated out of China.

2.3 Capitol Directors

The present Capitol Directors and a brief description of their qualification, experience and other directorships are set out below.

(a) Andrew Demetriou

Chairman – Appointed 17 November 2014

Mr Demetriou was Chief Executive Officer of the Australian Football League from 2003 until June 2014, ~~and has been~~ and was a member of the AFL Commission during that time. Mr Demetriou has also served as the Managing Director of the Ruthinium Group (of which he remains a board member). ~~Andrew has also served as~~ Non-Executive Chairman of the Baxter Group, and is a former Chairman of the Australian Multicultural Advisory Council and the advisory board of Acquire Learning.

Mr Demetriou is a Director of Crown Resorts and is a Non-Executive Director of Crown Bet Pty Ltd.

(b) Andrew Harrison BCom (Hons)

Managing Director and Chief Executive Officer – Appointed 11 November 2016

Mr Harrison founded Capitol in 2005. Prior to his appointment as Managing Director and Chief Executive Officer of Capitol in November 2016, Mr Harrison served as Managing

[Director \(December 2005 – July 2008\), Non-Executive Director \(July 2008 – November 2016\) and Interim Chief Executive Officer \(October 2016 – November 2016\).](#)

~~Mr Harrison founded Capitol in 2005. He~~ [Mr Harrison](#) is an experienced Chief Executive Officer and Non-Executive Director of both publicly listed and proprietary companies, across a range of sectors including healthcare (radiology and dental), resources, and the commercialisation of proprietary intellectual property. He has extensive experience in capital market transactions, including in initial public offerings, both local and international mergers and acquisitions, strategic restructuring and turnaround, and the management of distributed branch network organisations.

Mr Harrison has held senior executive roles with Brambles Australia, has been a consultant to Chubb Australasia, was the Managing Director and a Non-Executive Director of Neptune Marine Services and was a Non-Executive & Executive Director of Draig Resources.

(c) Nicole Sheffield MBA, BA, LLB

Non-Executive Director – Appointed 23 December 2015

Nicole Sheffield is the Chief Digital Officer of News Corp Australia. She is responsible for its digital revenue growth and strategy; audience and subscription growth; content optimisation and marketing; and digital product innovation. News Corp Australia is the country's number one digital content publisher, with leading brands in news, real estate, sport, food, and fashion.

Ms Sheffield is also driving ~~the~~ News Corp Australia's video strategy and execution, which includes the 'Storyful' and 'Unruly' businesses in the Australian market. Her previous experience includes a role as General Manager of Foxtel's 'LifeStyle Channels Group', senior executive roles at Seven West Media's 'Pacific Magazines' and management roles in the multimedia division of Telstra.

Ms Sheffield is a Director of Chief Executive Women (CEW) and is Chair of the Interactive Advertising Bureau (IAB) Australia Limited. [Ms Sheffield was formerly a member of the advisory board of Acquire Learning.](#) She has a Master of Business from University of Technology Sydney, and a Bachelor of Arts and Bachelor of Laws from Macquarie University.

(d) Richard John Loveridge [BABCom](#), LLB, Grad Dip App Fin

Non-Executive Director – Appointed 5 September 2017

Mr Loveridge served as a Partner in the Corporate Group at Herbert Smith Freehills Lawyers for more than 20 years. Recently he had Managing Partner responsibility for the National Corporate Group. He is currently a consultant to Herbert Smith Freehills. Mr Loveridge's experience includes capital raisings, mergers and acquisitions (including public company takeover and merger transactions) 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.

~~As at the date of this Bidder's Statement, the senior management team of Capitol and the Capitol Group currently comprises the following:~~

Name	Position	Years at Capitol
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Andrew Harrison	Chief Executive Officer	12 years (appointed as Non-Executive Director in December 2005 and appointed as Chief Executive Officer in November 2016)
Melanie Leydin	Company Secretary	4 months
Marie Gibson	General Manager Operations	5 years and 6 months
Ken Birchall	Head of Finance	2 years and 2 months

2.4 Capitol Bidco Directors

The present Capitol Bidco Directors and a brief description of their qualification, experience and other directorships are set out below.

- (a) Andrew Demetriou

Mr Demetriou's details are set out above in section 2.3(a) of this Bidder's Statement.

- (b) Andrew Harrison

Mr Harrison's details are set out above in section 2.3(b) of this Bidder's Statement.

2.5 Capitol executive management

The present Capitol executive management team is detailed below with a brief description of their qualifications and experience.

- (a) Andrew Harrison BCom (Hons)

Chief Executive Officer – Appointed Managing Director and Chief Executive Officer on 11 November 2016, after having served as Interim Chief Executive Officer since 6 October 2016. Prior to that, Mr Harrison served as Managing Director (December 2005 – July 2008) and Non-Executive Director (July 2008 – November 2016).

A brief description of Mr Harrison is included at section 2.3 of this Bidder's Statement.

- (b) Melanie Leydin CA, BBus

Company Secretary – Appointed 10 August 2017

Ms Leydin has extensive experience in the accounting profession and is a director and company secretary for a number of entities listed on the Australian Stock Exchange. Ms Leydin is the principal of Leydin Freyer – a chartered accounting firm specialising in outsourced company secretarial and financial duties.

- (c) Marie Gibson

General Manager Operations – Appointed 13 June 2012

Ms Gibson has over 30 years' experience as a radiographer and sonographer, having worked within the public and private health systems and in both hospital and community settings. Prior to joining Capitol, Ms Gibson held the role of State Operations Manager for Victoria at Primary Health Care Limited (previously Mayne Health) where she was employed for 17 years in various clinical and management roles.

Ms Gibson has a Diploma of Diagnostic Radiography and a post graduate Diploma in Medical Ultrasound.

- (d) Ken Birchall CPA, BCom

Head of Finance – Appointed 5 October 2015

Mr Birchall is an experienced finance and systems executive, having worked across many industries including education, media, entertainment, finance and distribution. Prior to joining Capitol, Mr Birchall was the Head of Finance Operations for 1 year at Acquire Learning and before that spent 13 years at Seven Network Limited as Chief Information Officer and Group Financial Controller.

2.6 ~~2.5~~ Historical financial information

The historical financial information below relates to Capitol and does not reflect any impacts of the Offer. It is a summary only and the full financial statements for Capitol for the financial periods described below, which include the notes to the accounts, can be found in Capitol's annual reports for those periods.

Copies of those annual reports are available at www.capitolhealth.com.au.

(a) Consolidated statement of financial position



Audited	
Year ended	
30-Jun-17	
June 2017	
Note	A\$'000

ASSETS

Current Assets

Cash and Cash Equivalents	18,217
Trade and Other Receivables	7,115
Other Financial Assets	183
Income Tax Refundable	161
Other Assets	877

26,553

Non-Current Assets Held for Sale	82,225
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Total Current Assets	108,778
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Non-Current Assets

Other Financial Assets	14,604
Property, Plant & Equipment	23,267
Intangible Assets	53,190
Deferred Tax Assets	4,597

95,658

Total Non-Current Assets	95,658
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Total Assets	204,436
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LIABILITIES

Current Liabilities

Trade and Other Payables	12,599
Employee Benefits	7,360
Loans and Borrowings	1,175

21,134

Liabilities Directly Associated with Assets Held for Sale	2,884
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Total Current Liabilities	24,018
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Non-Current Liabilities

Employee Benefits	1,864
Loans and Borrowings	58,554
Deferred Tax Liabilities	973

61,391

Total Non-Current liabilities	61,391
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Total Liabilities	85,409
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Net Assets	119,027
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Equity

Issued Capital	125,854
Reserves	(1,038)
Retained Earnings / (Accumulated Losses)	(5,789)

119,027

Total Equity	119,027
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Note

i [Other Financial Assets relate solely to Capitol's investment in Enlitic. Refer to section 2.6\(f\) of this Bidder's Statement for details relating to Capitol's accounting treatment of its investment in Enlitic.](#)

(b) Consolidated statement of profit and loss

CAPITOL HEALTH
LIMITED

		Audited for the Financial Year Ending		
		2017	2016	2015
Note		A\$'000		
	i			
Continuing Operations				
Income				
Revenue from Services Rendered		107,356	104,294	110,220
Other Income		2,569	225	1,004
Total Revenue		109,925	104,519	111,224
Expenses				
Employee Benefits		68,590	64,034	61,531
Equipment Related		5,847	5,808	6,684
Occupancy		7,830	8,012	7,784
Consumables		4,162	3,645	4,063
Telecommunications		1,854	1,685	1,652
Computer IT & Support		2,541	1,660	1,383
Impairment of Assets		862	1,830	15
Borrowing		2,443	2,486	1,545
Acquisition Costs		-	-	7,948
Depreciation & Amortisation		5,624	4,627	4,929
Other		7,717	7,771	5,902
Total Expenses		107,471	101,559	103,435
Profit before income tax		2,454	2,960	7,787
Income Tax Expense		710	1,276	3,923
Profit for the year from Continuing Operations	ii	1,744	1,684	3,864
Discontinued Operations				
Profit/ (Loss) for the year from Discontinued Operations	i	(5,805)	(6,368)	-
Profit/(Loss) for the Year		(4,061)	(4,684)	3,864
<u>Profit/ (Loss) for the year from Discontinued Operations</u>				
<u>Comprises</u>				
<u>Revenue from Services Rendered</u>		<u>54,257</u>	<u>53,793</u>	
<u>Expenses</u>				
<u>Operating</u>		<u>46,619</u>	<u>45,542</u>	
<u>Borrowing</u>		<u>4,541</u>	<u>4,911</u>	
<u>Depreciation & Amortisation</u>		<u>2,734</u>	<u>2,395</u>	
<u>Impairment of Goodwill</u>		<u>6,195</u>	<u>7,063</u>	
<u>Total Expenses</u>		<u>60,089</u>	<u>59,911</u>	
<u>Profit / (Loss) before income tax</u>		<u>(5,832)</u>	<u>(6,118)</u>	
<u>Income Tax Expense / (Benefit)</u>		<u>(28)</u>	<u>250</u>	
<u>Profit/ (Loss) for the year from Discontinued Operations</u>		<u>(5,805)</u>	<u>(6,368)</u>	
Note				
<p>i. *In the years ended 30 June 2017 and 2016, the NSW radiology businesses which were sold to I-Med on 31 August 2017 have been reported as discontinued operations. The results for the year ended 30 June 2015 include, within Continuing Operations, the results of the NSW radiology businesses which were acquired during the financial year, as well as the acquisition costs incurred in the acquisition of these businesses. As disclosed in Capitol's audited financial statements for the year ended 30 June 2015, the NSW Radiology businesses contributed revenues of A\$9,758,166 and net profits before tax (excluding associated interest costs) of A\$690,514 during the periods owned during the year ended 30 June 2015.</p> <p>The financial results from discontinued operations takes account of:</p> <ul style="list-style-type: none"> - revenue and expense items directly attributable to these operations, - corporate overhead allocation in respect of marketing and technology expenses, and 				

- borrowing costs (interest and other costs) directly attributable to specific loan drawdowns (and subsequent re-financing) of the purchase price of these businesses.

The pro-forma historical financial information set out in Section 6 of the bidder's statement includes adjustments to remove the financial impact of the NSW radiology businesses for each of the above financial years.

ii. [Refer to section 2.6\(f\) of this Bidder's Statement for details relating to Capitol's accounting treatment of its investment in Enlitic.](#)

(c) Consolidated cash flow statement

CAPITOLHEALTH
LIMITED

Audited for the Financial Year Ending		
2017	2016	2015
A\$'000		

Cash Flows From / (Used In) Operating Activities

Cash Receipts in the Course of Operations	162,954	159,663	108,617
Cash Payments in the Course of Operations	(139,185)	(137,006)	(88,748)
Interest Received	151	262	581
Interest Paid	(7,064)	(4,834)	(1,545)
Income Tax Paid	(1,567)	(4,633)	(3,299)

Net Cash From Operating Activities

15,289	13,452	15,607
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Cash flows From / (Used In) investing activities

Proceeds from Sale of Non-Current Assets Held for Sale	875	-	-(6,984)
Payments for Property Plant and Equipment	(7,184)	(7,472)	(6,984)
Payments for Subsidiaries/Business Acquisitions (Net of Cash Acquired)	(54)	(32,041)	(85,981)
Payment of Acquisition Costs	-	(4,886)	-
Payments for Investments in Equity Instruments	(4,218)	(11,432)	(1,257)
Proceeds from Sale of Investments in Equity Instruments	14	-	-
Payments for Internally Generated Intangibles	-	(694)	-
Redemption of/(Payment for) Financial Asset Held to Maturity	-	595	(595)

Net Cash Used In Investing Activities

(10,567)	(55,930)	(94,816)
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Cash flow From / (Used In) Financing Activities

Proceeds from the Issue of Share Capital	40,184	-	57,484
Payment of Share Issue Costs	(2,180)	(3)	(2,131)
Payment of Dividend	-	(3,087)	(4,774)
Payment for Leasing Arrangements	(1,583)	(1,924)	(4,423)
Proceeds from Secured Loans	-	23,527	68,643
Repayment of Secured Loans	(38,670)	(47,000)	(8,000)
Proceeds from Senior Unsecured Notes	-	50,000	-

Net Cash From / (Used In) Financing Activities

(2,249)	21,513	106,799
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Net Increase / (Decrease) in Cash and Cash Equivalents

2,473	(20,965)	27,589
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Cash and Cash Equivalents at Beginning of the Year

15,744	36,709	9,120
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Cash and Cash Equivalents at the End of the Financial Year

18,217	15,744	36,709
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The consolidated cash flows set out above include cash flows associated with the NSW radiology businesses sold to I-Med on 31 August 2017.

(d) Corporate governance

The Capitol Board seeks, where appropriate, to provide accountability levels that meet or exceed the ASX Corporate Governance Council's Principles for Good Corporate Governance and Best Practice Recommendations.

Details of Capitol's corporate governance procedures, policies and practices can be obtained from its website www.capitolhealth.com.au.

(e) Dividends and share buy-back

On 1 August 2016, Capitol announced to ASX that it would suspend the payment of the final dividend for the financial year ended 30 June 2017.

However, on 14 June 2017, following the sale of its radiology assets located in New South Wales to the I-Med Radiology Network (**NSW Sale**), Capitol announced to ASX that it intended to use a portion of the proceeds of the NSW Sale and its existing cash balance for the following capital management activities:

- (i) to re-instate the payment of dividends in respect of the financial year ended 30 June 2018, subject to corporate, legal and regulatory considerations;
- (ii) to redeem all of the outstanding unsecured notes in May 2018, subject to the ability to obtain any necessary alternative funding; and
- (iii) buy-back up to an aggregate amount of 52,300,000 Capitol Shares on-market.

As at the date of this Bidder's Statement [Capitol](#) has bought-back 8,641,858 Capitol Shares, in aggregate.

(f) [Enlitic investment – accounting treatment](#)

['Other Financial Assets' in the consolidated statement of financial position set out above at section 2.6\(a\) of this Bidder's Statement relate solely to Capitol's investment in Enlitic. The directors of Capitol have assessed that Capitol does not have significant influence over the operations of Enlitic and have therefore not equity accounted for this investment. Even if Capitol had equity accounted for this investment, the impact would not be material to either the financial position or financial performance of Capitol. In particular, had Capitol equity accounted for its investment in Enlitic the impact on:](#)

- [the historical financial position of Capitol would have been a reduction in reported net assets of \\$319,000; and](#)
- [the financial performance of Capitol would have been a reduction in the profit for the continuing operations for the year ended 30 June 2016 of A\\$219,000 and for the year ended 30 June 2017 of \\$100,000.](#)

3 Information on Capitol Shares

3.1 Capital Structure

As at the date of this Bidder's Statement, Capitol has the following securities on issue:

Class	Number
Capitol Shares	802,456,607
Capitol Options (unquoted)	12,000,000
Capitol Performance Rights (unquoted)	1,695,062

Each Capitol Option confers on its holder a right to subscribe for one Capitol Share.

See section 3.4 for further details on the Capitol Options and the Capitol Performance Rights.

3.2 Recent price performance of Capitol Shares

Recent share price performance of Capitol on ASX over the last 12 months prior to the date of this Bidder's Statement is shown below:

Description	Share price	Date
Closing ASX sale price of Capitol Shares on 24 December 2017 <u>30 January 2018</u> (last practicable date before the date of this Bidder's Statement)	A\$0. 2700 <u>28</u> 75	24/12/17 <u>30/01/18</u>
One month VWAP of Capitol Shares before the date of this Bidder's Statement	A\$0. 2836 <u>29</u> 49	24/12/17 <u>23/11/17</u> 30/01/18 <u>2/01/18</u>
Latest ASX sale price of Capitol Shares before the Announcement Date	<u>A\$0.3050</u>	28/11/17
One month VWAP of Capitol Shares before the Announcement Date	<u>A\$0.2741</u>	28/11/17- 31/10/17
Highest ASX sale price of Capitol Shares in the 12 months before this Bidder's Statement was lodged with ASIC	A\$0.3250	10/08/17
Lowest ASX sale price of Capitol Shares in the 12 months before this Bidder's Statement was lodged with ASIC	A\$0.1150	<u>30/01/17</u> 27/01/17

3.3 Substantial Shareholders

As at the date of this Bidder's Statement, so far as known by Capitol based on publicly available information, the substantial shareholders of Capitol are as follows:

Substantial Shareholder	Number of Capitol Shares	%
Paradise Investment Management Pty Ltd	76,500,000	9.44 <u>9.5</u> <u>3</u>
Total	76,500,000	9.44 <u>9.5</u> <u>3</u>

3.4 Capitol Awards granted to Capitol employees and Capitol Directors

At the annual general meeting of Capitol Shareholders held on 16 November 2015 (the **Capitol AGM**), Capitol Shareholders approved the establishment of a long term employee incentive plan (the **Capitol Incentive Plan**). In addition to providing incentive awards to employees, the Capitol

Incentive Plan is intended to award long-term incentive to key employees who the Capitol Board considers could directly contribute to achieving Capitol's business strategy.

The notice of the Capitol AGM, which was released to the ASX on 16 October 2015, contained a detailed summary of the Capitol Incentive Plan. In brief, the key terms of the Capitol Incentive Plan are as follows.

- The Capitol Incentive Plan may apply to any person who is a full-time, part-time employee or director of Capitol or any other person the Capitol Board considers appropriate (**Eligible Participants**).
- The Capitol Incentive Plan allows the Capitol Board to grant equity awards in the form of options (**Capitol Options**) or performance rights (**Capitol Performance Rights**) (collectively, **Capitol Awards**) to Eligible Participants. Each Capitol Award is a right to acquire one Capitol Share (or an equivalent cash amount) upon satisfaction of vesting condition as determined by the Capitol Board, and valid exercise of the Capitol Award. The Capitol Board may elect to either issue new Capitol Shares, or procure the acquisition of Capitol Shares on-market, to satisfy these allocation requirements following the valid exercise of the Capitol Award.
- The Capitol Board has broad discretions under the Capitol Incentive Plan, including:
 - identifying Eligible Participants to whom an offer is to be made to participate in, and to be granted Capitol Awards;
 - the timing of making such an offer;
 - the terms of issue of Capitol Awards such as the exercise price, transfer or trading restrictions, the vesting and lapsing conditions; and
 - whether the Capitol Awards carry dividend or voting rights prior to vesting or exercise.

As at the date of this Bidder's Statement, the following Capitol Awards have been issued:

Number of Capitol Awards	Issue Date	Vesting Date	Exercise Price	Expiry Date
10,000,000 Capitol Options	17 November 2016	5,000,000 Capitol Options vest on or around 17/11/2016	A\$0.1785	17/11/2020
	17 November 2016	5,000,000 Capitol Options vest on or around 17/11/2017		
2,000,000 Capitol Options	22 December 2016	500,000 Capitol Options vest on or around 22/12/2017	A\$0.1979	22/12/2020
		300,000 Capitol Options vest on or around 22/12/2018		
		200,000 Capitol Options vest on or around 22/12/2019		
		1,000,000 Capitol Options fully vested	A\$0.1979	28/2/2018 31/03/2018
1,695,062 Capitol Performance Rights	4 December 2017	Upon the satisfaction of certain performance conditions.	A\$0	1/10/2020

Neither the Offer, nor the acquisition by Capitol Bidco of any Integral Shares under it, will result in the vesting of any unvested Capitol Awards.

3.5 Shareholding interests of Capitol Directors

As at the date of this Bidder's Statement, the Capitol Directors have the following relevant interests in Capitol Shares and Capitol Awards:

Name of Director	Number of Capitol Shares	Number of Capitol Awards
Andrew Demetriou	150,000	-
Andrew Harrison	3,575,773	10,000,000 Capitol Options with a vesting date on or around 17/11/2016 and expiring 17/11/2020 1,695,062 Capitol Performance Rights
Nicole Sheffield	-	-
Richard John Loveridge	200,000	-

3.6 Rights and liabilities attaching to Capitol Shares

The Capitol Shares issued under the Offer will be issued fully paid and will rank equally in all respects with existing Capitol Shares currently on issue.

On 17 January 2018, Capitol ~~will apply~~ applied for the Capitol Shares to be issued under the Offer to be quoted on the ASX ~~within seven days after the date of this Bidder's Statement~~. Quotation of these Capitol Shares will not be automatic but will depend on the ASX exercising its discretion. However, as Capitol is already admitted to the official list of the ASX and Capitol Shares in the same class as to those to be issued under the Offer are already quoted, Capitol believes quotation of the shares will be granted.

In accordance with the Corporations Act ~~and ASIC Corporations (Minimum Subscription and Quotations Conditions) Instrument 2016/70~~, the quotation of the Capitol Shares to be issued under the Offer is a condition to the Offer under section 11 of this Bidder's Statement.

The rights and liabilities attaching to Capitol Shares are set out in Capitol's constitution and, in certain circumstances, are regulated by the Corporations Act, ASX Listing Rules, ASTC Settlement Rules and general law. Under section 140(1) of the Corporations Act, the constitution of Capitol has effect as a contract between Capitol and each member and between a member of Capitol and each other member. Accordingly, if you accept the Offer and are issued Capitol Shares you will, as a result, become liable to comply with the constitution of Capitol.

The following is a summary of the principal rights attaching to Capitol Shares. It does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of shareholders of Capitol. To obtain a definitive statement of the rights and liabilities of shareholders of Capitol, investors should seek their own advice when trying to establish their rights in specific circumstances.

(a) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Capitol Shares, at meetings of Capitol Shareholders or classes of Capitol Shareholders:

- (i) each Capitol Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative,

have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those Shares (excluding amounts credited).

(b) Dividends

The Capitol Directors may from time to time declare a dividend to be paid to the Capitol Shareholders entitled to the dividend. Subject to any differentiation between Capitol Shareholders made by the Capitol Directors in respect of the amount and timing of payment of calls and subject to the rights of any preference Capitol Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the dividend as declared shall be payable on all Capitol Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Capitol Shares in accordance with Part 2H.5 of Chapter 2H of the Corporations Act.

(c) Minimum shareholding

Where a Capitol Shareholder holds less than a "marketable parcel" of Capitol Shares (within the meaning of the ASX Listing Rules), those shares may be sold by Capitol subject to the terms set out in Capitol's Constitution.

(d) Winding up

If Capitol is wound up, the liquidator may, with the authority of a special resolution of Capitol, divide among the Capitol Shareholders in kind the whole or any part of the property of Capitol, and may for that purpose set a value as the liquidator considers fair upon any property to be so decided, and may determine how the division is to be carried out as between the Capitol Shareholders or different classes of Capitol Shareholders.

The liquidator may, with the authority of a special resolution of Capitol, vest the whole or any part of any property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Capitol Shareholder is compelled to accept any Capitol Shares or other securities in respect of which there is any liability.

Where an order is made for the winding up of Capitol or it is resolved by special resolution of Capitol to wind up Capitol, then on a distribution of assets to Capitol Shareholders, Capitol Shares classified by ASX as Restricted Securities at the time of the commencement of the winding up shall rank in priority after all other Capitol Shares.

(e) Issue of further shares

Without prejudice to any special rights previously conferred on the holders of any existing Capitol Shares or class of Capitol Shares, unissued Capitol Shares shall be under the control of the Capitol Directors and, subject to the Corporations Act, the ASX Listing Rules and the constitution of Capitol, the Capitol Directors may at any time issue such number of Capitol Shares either as ordinary Capitol Shares or Capitol Shares of a named class or classes (being either an existing class or a new class) and with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, return of capital or otherwise, as the Capitol Directors shall, in their absolute discretion, determine.

(f) Transfer of shares

Subject to Capitol's constitution, the Corporations Act, the ASX Listing Rules and the ASTC Settlement Rules, Capitol Shares are freely transferrable.

The Capitol Directors may refuse to register a transfer of shares in the circumstances described in Capitol's constitution and where permitted or required to do so under the ASX Listing Rules. Where the Capitol Directors refuse to register a transfer of shares, they must send notice of the refusal and precise reasons for the refusal to the transferee and the lodging broker (if any) in accordance with the ASX Listing Rules.

(g) Variation of rights

If at any time the share capital of ~~the~~ Capitol is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may be varied, whether or not Capitol is being wound up, with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of the class. Any variation of rights under this clause 2.3 shall be subject to Part 2F.2 of Chapter 2F of the Corporations Act. The provisions of Capitol's constitution relating to general meetings shall apply so far as they are capable of application and with necessary alterations to every such separate meeting except that a quorum is constituted by two persons who together hold or represent by proxy one-third of the issued shares of the class.

(h) Directors

Capitol must at all times have at least three directors. The number of directors must not exceed nine. Capitol may, by ordinary resolution, increase or reduce the number of Capitol Directors and may also determine in what rotation the increased or reduced number is to go out of office.

3.7 Further information on Capitol

As a company whose shares are quoted on ASX, Capitol is a disclosing entity (see section 10.18 for further details) and, as such, is subject to regular reporting and disclosure obligations. Copies of all documents lodged with ASIC in relation to Capitol may be obtained for a fee from, or inspected at, an office of ASIC.

Further details in relation to Capitol are contained in Capitol's Annual Report for the financial year ended 30 June 2017, as released on ASX on 25 August 2017 and available at www.asx.com.au.

Further information on Capitol can be found at Capitol's website at www.capitolhealth.com.au.

4 Profile of Integral

4.1 Disclaimer

The information in this section 4 concerning Integral has been prepared based on a review of publicly available information (which has not been independently verified or provided by or on behalf of Integral). Subject to the Corporations Act, Capitol Bidco does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information on Integral and the Integral Group in this Bidder's Statement should not be considered comprehensive. Further information relating to Integral's businesses or Integral's securities may be included in the Target's Statement in relation to the Offer, which will be sent to you by Integral.

4.2 Overview of Integral

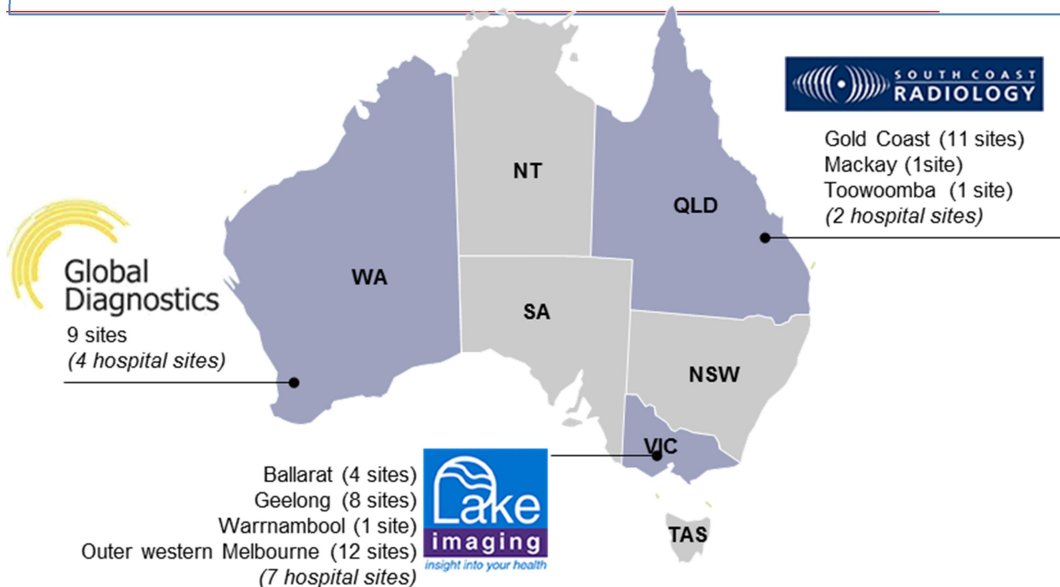
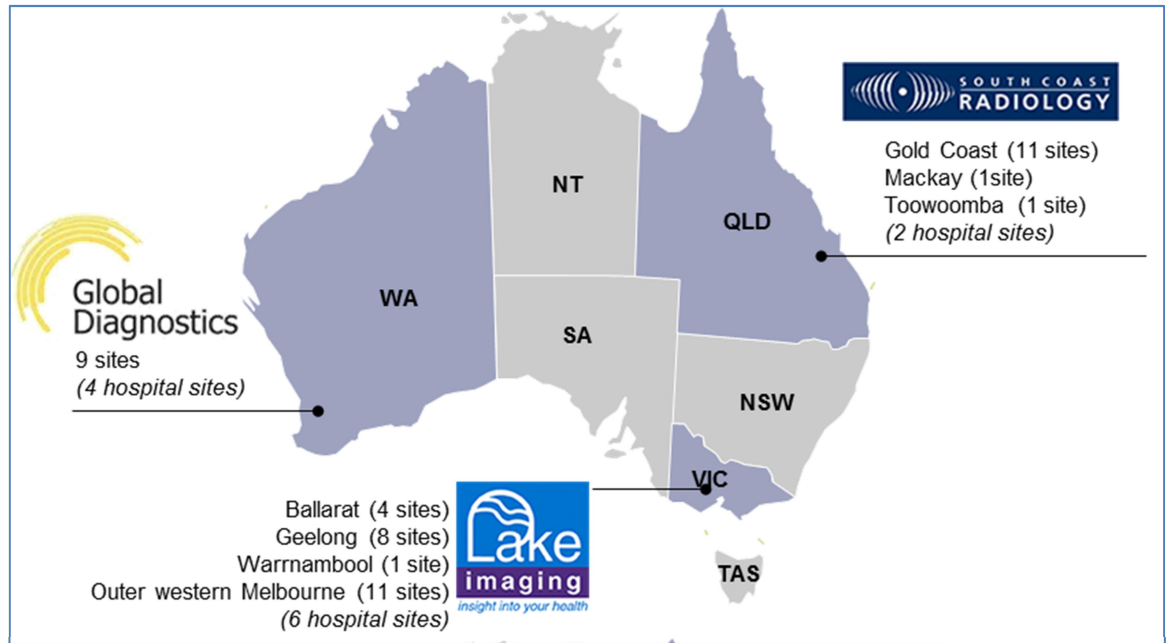
Integral is an Australian-based and ASX-Listed healthcare services company whose main activity is providing Diagnostic Imaging Services to general practitioners, medical specialists and allied health professionals and their patients. On the day prior to the date of this Bidder's Statement, Integral had a market capitalisation of approximately A\$~~322~~³²⁹ million.

4.3 Overview of Integral's activities




Integral provides diagnostic imaging services through a network of ~~46~~⁴⁷ sites, including ~~12~~¹³ hospital sites, across Victoria, Queensland and Western Australia. Integral operates its business under the following brands:

- (a) Lake Imaging (Victoria);
- (b) South Coast Radiology (Queensland); and
- (c) Global Diagnostics (Western Australia).

The map below outlines the locations of Integral's operations:



The following table sets out an overview of each of Integral's businesses, including its state of operation, core markets, sites, hospital sites and MRI machines and licences as at ~~13 November~~ December 2017, ~~and including~~ its employed radiologists and other employees as at ~~30 June 2015~~ that date.

Overview of Integral's Operations					Total
					
State of operation	Victoria	Queensland	Western Australia		
Core markets	Ballarat, Geelong, Warrnambool and outer western areas of Melbourne	Gold Coast area, Toowoomba and Mackay	South West Western Australia		

Sites (includes hospital sites)	24 <u>25</u>	13	9	46 <u>47</u>
Hospital sites	6 <u>7</u>	2	4	12 <u>13</u>
MRI machines	6 <u>7</u>	6 <u>7</u>	2	14 <u>16</u>
MRI Licences	3 <u>4</u> full 0 partial	3 full 3 partial	2 full 0 partial	8 <u>9</u> full 3 partial
Employed Radiologists	20 <u>25</u>	23 <u>31</u>	9 <u>8</u>	52 <u>64</u>
Employees (excluding Radiologists)	375 <u>351</u>	303 <u>348</u>	142 <u>155</u>	820 <u>854</u>

Integral generates income by providing diagnostic imaging services to Referrers and patients from its network of ~~46~~47 sites. Patients may be eligible to receive partial or full reimbursement for diagnostic imaging services provided by Integral from the Commonwealth Government, private health insurance and other sources.

The table below provides an overview of the modalities, and sub-specialties, of diagnostic imaging services that Integral provides across its network.

Key Modalities	Technology	Examples of patient indications
Radiography / X-ray	X-rays	Bone (fractures, arthritis and other disorders), chest (pneumonia, tumours and heart failure), abdomen (bowel obstruction, renal stones)
Ultrasound	High-frequency sound waves	Digestive, gynaecological, obstetric, vascular, small parts and musculoskeletal conditions
CT	X-rays with cross sectional images	Brain, neck, chest, abdomen, pelvis, spine, bones, joints and coronary artery disease
Nuclear Medicine/PET	Form of Nuclear Medicine using very short half-life isotopes	Major role in assessment of cell based activity, including the assessment of cancer activity and spread
MRI	Strong magnetic fields, computer image	Brain, spine, abdomen, pelvis, breast, neck, joints, muscles and tendons, for sports injuries, and other acute and chronic conditions
Mammography	X-rays	For assessment of lumps and other concerns

4.4 Integral Directors and shareholding interests of Integral Directors

As at the date of this Bidder's Statement, the Integral Directors are as follows:

Name	Position	Date appointed
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Helen Kurincic	Chairman	1 December 2014
John Atkin	Non-Executive Director	1 October 2015
Rupert Harrington	Non-Executive Director	1 October 2015
Raelene Murphy	Non-Executive Director	1 October 2017
Ian Kadish	Managing Director	22 May 2017
Chien Ping Ho	Executive Director	29 April 2008
Sally Sojan	Executive Director	14 August 2014

As at the date of this Bidder's Statement, the Integral Directors have direct or indirect interests in the following Integral Shares, options granted by Integral (**Integral Options**) and performance rights granted by Integral (**Integral Performance Rights**):

Name	Number of Integral Shares	Number of Integral Options	Number of Integral Performance Rights
Helen Kurincic	420,870	-	-
John Atkin	132,945	-	-
Rupert Harrington	255,890	-	-
Raelene Murphy	835	-	-
Ian Kadish	32,000	-	362,585
Chien Ping Ho	2,445,481	-	-
Sally Sojan	1,026,491	-	-

4.5 Executive management

As at the date of this Bidder's Statement, the executive management team of Integral is as follows.

Name	Position	Date Appointed
Ian Kadish	Chief Executive Officer	22 May 2017
Gregory Hughes	Chief Operating Officer	Appointed to Chief Operating Officer in 2015, and has been with Lake Imaging since 2002
Anne Lockwood	Chief Financial Officer	Appointed to Chief Financial Officer in December 2017, and has been with Integral since 2015 2016 .

4.6 Substantial holders of Integral Shares

As at the date of this Bidder's Statement, so far as [is](#) known by Capitol Bidco based on publicly available information, the substantial shareholders of ~~Capitol~~[Integral](#) are as follows:

Name	No. of shares	% of total
Investors Mutual	13,520,000	8.12
IOOF Holdings Limited	11,373,966	7.84
Adam Smith Asset Management	8,460,682 9,949,431	5.83 6.86
Regal Funds Management	8,020,747 8,088,497	5.53 5.58
Viburnum Funds Pty Ltd	7,266,066	5.01

4.7 Integral Securities on issue

According to documents lodged by Integral with ASX, as at the date of this Bidder's Statement the total number of securities on issue in each class in Integral is as follows:

Class	Number
Integral Shares	145,044,157
Integral Options	0
Integral Performance Rights	362,585

Integral Shares are quoted on ASX and may be freely traded.

If the holder of the Integral Performance Rights was able to, and did, exercise those Integral Performance Rights, the total number of Integral Shares on issue would be 145,406,742.

4.8 Integral Performance Rights

On the basis of documents lodged by Integral, Capitol Bidco understands that as at the date of this Bidder's statement, the Managing Director of Integral has been granted 362,585 Integral Performance Rights as part of his LTI award for the year ended 30 June 2018 (the **Integral LTI Rights**) and each Integral LTI Right entitles the Managing Director to one ordinary share in Integral on vesting and exercise ([noting that vesting causes automatic exercise, and the Integral Board retains the discretion to make a cash equivalent payment in lieu of an allocation of shares](#)). The vesting of the Integral LTI Rights is subject to the satisfaction of an "earnings per share" performance condition over a performance period from 1 July 2017 to 30 June 2021.

[As a result of the Offer \(because of a likely change of control of Integral\), the Integral Board has the discretion to accelerate vesting of some or all of the Integral LTI Rights \(but not less than the pro-rata proportion described below\). Where in these circumstances only some of the Integral LTI Rights vest, the remainder of the Integral LTI Rights immediately lapse.](#)

If completion of the Offer occurs [before the Integral Board exercises its discretion described above](#), the Integral LTI Rights will immediately vest pro-rata relative to the time period that has elapsed between 22 May 2017 and the completion date of the Offer and having regard to the compound annual growth rate of earnings per share achieved or reasonably estimated by the Integral Board to have been achieved in the period prior to the completion date of the Offer. [The Integral Board retains a discretion to determine whether any unvested Integral LTI Rights will vest or lapse.](#)

4.9 Offer extends to new Integral Shares

The Offer extends to Integral Shares that are issued or otherwise come into existence during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights attached to, other securities convertible into Integral Shares (including Integral Performance Rights) that are on issue at the Register Date.

4.10 Summary financial information on Integral

(a) Consolidated statement of financial position

Integral Diagnostics

Reviewed	Audited
As At	As At
31 December 2017	30-Jun-17 June 2017
A\$'000	A\$'000

ASSETSAssets

Current Assets

Cash and Cash Equivalents	25,401	24,210
Trade and Other Receivables	4,945	5,149
Inventory	393	393
Other Assets	4,168	3,514

Total Current Assets

	34,907	33,266
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Non-Current Assets

Property, Plant & Equipment	49,577	50,523
Intangible Assets	103,596	103,921
Deferred Tax Assets	3,283	2,675

Total Non-Current Assets

	156,456	157,119
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Total Assets

	191,363	190,385
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LIABILITIESLiabilities

Current Liabilities

Trade and Other Payables	11,621	8,340
Provisions	9,737	10,650
Derivative Financial Instrument	-	59
Income Tax Payable	997	(34)
Borrowings	11,099	11,495

Total Current Liabilities

	33,454	30,510
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Non-Current Liabilities

Provisions	8,582	8,126
Borrowings	56,546	61,397

Total Non-Current liabilities

	65,128	69,523
--	--------	--------

Total Liabilities

	98,582	100,033
--	--------	---------

Net Assets

	92,781	90,352
--	--------	--------

Equity

Issued Capital	83,782	83,866
Reserves	(11,800)	(11,862)
Retained Earnings / (Accumulated Losses)	20,799	18,348

Total Equity

	92,781	90,352
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(b) Consolidated statement of profit or loss

Integral Diagnostics

Reviewed for the Half		Audited for the Financial Year Ending		
Year Ending 31 December				
2017	2016	2017	2016	2015
A\$'000				

Revenue

Revenue	<u>93,577</u>	<u>88,574</u>	179,732	167,770	151,213
Fair Value Gain on Acquisition of SWMRI Joint Venture	<u>-</u>	<u>1,200</u>	1,200	-	-
Other Income	<u>179</u>	<u>192</u>	370	263	189
Total Revenue	<u>93,756</u>	<u>89,966</u>	181,302	168,033	151,402

Expenses

Consumables	<u>4,321</u>	<u>4,706</u>	8,850	8,365	8,701
Employee Benefits	<u>53,558</u>	<u>51,310</u>	105,577	95,406	83,785
Depreciation & Amortisation	<u>4,921</u>	<u>4,941</u>	9,831	8,720	8,606
Transaction Costs <u>and Takeover Response Costs</u>	<u>-1,321</u>	<u>-</u>	-	6,990	10,035
Equipment-Related	<u>3,841</u>	<u>3,353</u>	6,993	6,056	5,975
Occupancy	<u>6,496</u>	<u>6,147</u>	12,615	11,724	10,191
Other	<u>6,413</u>	<u>6,198</u>	12,178	10,991	8,882
Impairment of Assets and Restructuring Provision	<u>-</u>	<u>-</u>	1,108	-	-
Finance Costs	<u>1,292</u>	<u>1,455</u>	2,841	3,333	4,298
Total Expenses	<u>82,163</u>	<u>78,110</u>	159,993	151,585	140,473

Operating Profit

Operating Profit	<u>11,593</u>	<u>11,856</u>	21,309	16,448	10,929
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Share of Profits of Associates Accounted for using the Equity Method

Share of Profits of Associates Accounted for using the Equity Method	<u>-</u>	<u>-</u>	-	2	12
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Profit Before Income Tax

Profit Before Income Tax	<u>11,593</u>	<u>11,856</u>	21,309	16,450	10,941
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Income Tax Expense

Income Tax Expense	<u>3,342</u>	<u>3,194</u>	5,829	5,062	6,136
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Profit for the Year

Profit for the Year	<u>8,251</u>	<u>8,662</u>	15,480	11,388	4,805
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(c) Consolidated statement of cash flows

Integral Diagnostics

Reviewed for the Half Year		Audited		Audited
Ending 31 December		Audited for the Financial Year ended		Year-ended
2017	2016	30-Jun-17	30-Jun-16	30-Jun-15
A\$'000				

Cash Flows From / (Used In) Operating Activities

Receipts from Customers	<u>103,468</u>	<u>87,365</u>	179,604	166,804	151,192
Payments to Suppliers and Employees	<u>(83,677)</u>	<u>(69,425)</u>	(146,314)	(131,706)	(114,042)
Transaction Costs Relating to Acquisition of Subsidiaries	=	<u>(180)</u>	(180)	(189)	(10,035)
Interest Paid	<u>(1,292)</u>	<u>(1,523)</u>	(2,960)	(3,067)	(3,847)
<u>Interest Received</u>	<u>179</u>	<u>192</u>	=	=	=
Income Tax Paid	<u>(3,004)</u>	<u>(4,900)</u>	(7,420)	(7,787)	(6,156)
Net Cash from Operating Activities	<u>15,674</u>	<u>11,529</u>	22,730	24,055	17,112

Cash Flows From / (Used In) Investing Activities

Payments for Subsidiaries / Business Acquisitions (Net of Cash Acquired)	=	<u>(3,529)</u>	(3,529)	-	(66,619)
Payments for Property, Plant and Equipment	<u>(3,600)</u>	<u>(7,000)</u>	(11,650)	(17,222)	(1,954)
Proceeds from Disposal of Property, Plant and Equipment	<u>223</u>	=	100	300	409
Interest Received	=	=	370	263	189
Net Cash Used in Investing Activities	<u>(3,377)</u>	<u>(10,529)</u>	(14,709)	(16,659)	(67,975)

Cash flow From / (Used In) Financing Activities

Proceeds From the Issue of Share Capital	=	=	-	33,170	27,400
IPO Transaction Costs	=	=	-	(8,104)	(1,724)
Proceeds from Borrowings	<u>335</u>	<u>6,306</u>	10,887	17,043	67,788
Repayment of Borrowings	<u>(5,641)</u>	<u>(3,691)</u>	(8,134)	(31,134)	(21,130)
Dividends Paid to Company Shareholders	<u>(5,800)</u>	<u>(5,806)</u>	(10,154)	-	(10,100)
Dividends Paid to Non-Controlling Interests in Subsidiaries	=	=	-	-	(487)
Settlement of Deferred Consideration	=	=	(30)	(3,150)	-
Transactions with Non-Controlling Interests	=	=	-	(1,197)	(7,959)
Net Cash From / (Used In) Financing Activities	<u>(11,106)</u>	<u>(3,191)</u>	(7,431)	6,628	53,788

Net Increase / (Decrease) in Cash and Cash Equivalents

	<u>1,191</u>	<u>(2,191)</u>	590	14,024	2,925
Cash and Cash Equivalents at Beginning of the Year	<u>24,210</u>	<u>23,620</u>	23,620	9,596	6,671
Cash and Cash Equivalents at the End of the Financial Year	<u>25,401</u>	<u>21,429</u>	24,210	23,620	9,596

4.11 Interests in Integral securities

- (a) Capitol's relevant interest in Integral securities and voting power in Integral
- As at the date of this Bidder's Statement, Capitol had a relevant interest in ~~11.83~~~~15.08~~% of Integral Shares on issue and Capitol's voting power in Integral was ~~11.83~~~~15.08~~%. Immediately before the first Offer was sent, Capitol had a relevant interest in [*]% of Integral Shares on issue and Capitol's voting power in Integral was [*].
- (b) Capitol Bidco's relevant interest in Integral securities and voting power in Integral
- As at the date of this Bidder's Statement, Capitol Bidco did not have any relevant interest in the Integral Shares on issue and Capitol Bidco's voting power in Integral was ~~11.83~~~~15.08~~%. Immediately before the first Offer was sent, Capitol Bidco had a relevant interest in [*]% of Integral Shares on issue and Capitol Bidco's voting power in Integral was [*].
- (c) Capitol Directors' relevant interest in Integral securities
- As at the date of this Bidder's Statement and immediately before the first Offer was sent, none of the Capitol Directors had a relevant interest in Integral Shares or any voting power in Integral.
- (d) Capitol Bidco Directors' relevant interest in Integral securities
- As at the date of this Bidder's Statement and immediately before the first Offer was sent, none of the Capitol Bidco Directors had a relevant interest in Integral Shares or any voting power in Integral.
- (e) Acquisitions of Integral Shares by Capitol, Capitol Bidco or their respective associates
- Except as referred to in section 10.1, neither Capitol, Capitol Bidco nor any of their respective associates has provided (or agreed to provide) consideration for an Integral Share under a purchase or agreement to purchase during the four months before the date of this Bidder's Statement or in the period between the date of this Bidder's Statement and the date of the Offer.

4.12 Publicly available information about Integral

Integral has been listed on ASX since 21 October 2015, and is obliged to comply with the continuous disclosure requirements of ASX and the Corporations Act.

A substantial amount of information concerning Integral has previously been notified to ASX.

The ASX announcements made in relation to Integral between 24 August 2017 and the date of this Bidder's Statement are listed in Annexure A.

Information about Integral (including copies of its financial statements) may also be obtained from Integral's website at www.integraldiagnostics.com.au.

5 Intentions

5.1 Introduction

This section 5 sets out the rationale for the Offer, and the intentions of Capitol Bidco in relation to Integral.

These intentions are based on the information concerning Integral, its business and the general business environment which is known to Capitol Bidco at the time of preparation of this Bidder's Statement, which is limited to publicly available information.

Final decisions regarding these matters will only be made by Capitol Bidco after undertaking a review of Integral and following receipt of appropriate legal, taxation and financial ~~advice~~[advice](#), and in light of the material circumstances at the relevant time. Accordingly, the statements set out in this section 5 are statements of current intention only, which may change as new information becomes available to Capitol Bidco or as circumstances change.

Some of the intentions anticipate cost synergies available to the Combined Group which are not currently available in isolation to Capitol or Integral. The extent and timing of these benefits is currently uncertain, and the ability of the Combined Group to capture these synergy benefits will depend on, amongst other things, whether or not Capitol Bidco is able to acquire 100% of the Integral Shares and the results of the operational review referred to above.

Capitol Bidco's analysis and review of publicly available information on Integral has led it to consider that, if Capitol Bidco acquires 100% of the Integral Shares, potential pre-tax cost synergies of approximately A\$5 million savings per annum should be realised within the first 12 months of trading by the Combined Group. The synergies are likely to be achieved through:

- removing duplication of costs across the operations of the Combined Group including such areas as head office, board, senior executives, technology, audit and corporate services;
- savings from greater purchasing power and the rationalisation of suppliers;
- removing costs associated with Integral being listed on ASX; and
- leveraging best practice for corporate processes and systems.

Combining two substantial, complex businesses like Capitol and Integral carries significant integration risk. Capitol will endeavour to mitigate these risks through comprehensive integration planning, but not all risks can be eliminated. Integration risk is discussed in further detail in section 9.3(b).

Key areas of focus for Capitol's integration review and assessment will include:

- doctor engagement;
- organisation and management structure;
- brand strategy – combining the businesses of Capitol and Integral;
- target markets; and
- acquisition opportunities.

Capitol Bidco intends to continue to operate all of Integral's existing hospital contracts and will seek any associated change of control consents that are required.

5.2 Rationale for the Offer

The Offer is designed to enable a merger of Capitol and Integral to create a leading Australian diagnostic imaging business. The Combined Group would benefit from increased geographic

diversification, scale and financial strength. Capitol is confident that patients of both Capitol and Integral will gain from greater depth of resourcing, improved operational efficiency and access to a broader range of services and products.

Capitol is familiar with the type of activities comprising the Integral business. Capitol believes that its experience will enable it to quickly understand Integral's doctor and patient base and the domestic ~~and~~ markets in which Integral operates. Capitol also understands the importance of doctors to the Integral business.

5.3 Intentions upon acquisition of 90% or more of the Integral Shares

This section 5.3 sets out the intentions of Capitol Bidco, if Capitol Bidco acquires a relevant interest in 90% or more of the Integral Shares and is, therefore, entitled to proceed to compulsory acquisition of the remaining Integral Shares under the Corporations Act.

(a) Corporate matters

It is intended that Capitol Bidco would:

- proceed with compulsory acquisition of the outstanding Integral Shares in accordance with the provisions of Chapter 6A of the Corporations Act;
- arrange for Integral to be removed from the Official List of ASX; and
- replace all of the Integral Directors with nominees of Capitol, whom it expects will be the Capitol Directors, with a commitment to elect a non-executive director (who is a medical professional) and other directors who Capitol Bidco considers will add value to the Combined Group.

(b) Employees

Capitol Bidco intends to conduct a review of the employment requirements of the Combined Group as part of determining its proposed operating model. This will be done with input from management of both Capitol and Integral. The Combined Group is expected to provide advancement opportunities for a number of people and it is intended that the Combined Group will place an emphasis on the ongoing improvement of the managerial and business skills and competencies of key staff of both businesses.

However, Capitol Bidco expects that as a result of combining the businesses of Capitol and Integral and the implementation of the intentions set out in this section 5, there will be duplication across a number of areas of the Combined Group, including employee roles. To create value for shareholders in the Combined Group, Capitol Bidco intends to remove these duplications ([other than in respect of doctors or other medical staff, technical staff or clinic staff](#)) with the aim of delivering the expected synergy benefits associated with the Offer.

Where redundancies do occur across the Combined Group, severance and redundancy terms of all relevant employment contracts and industrial agreements or awards will be recognised and complied with by the Combined Group.

Commitment to employees will remain a high priority for Capitol and Capitol Bidco, and further details of the integration process will be shared with employees as they become available.

(c) General operational review

Capitol Bidco intends to combine the businesses of Capitol and Integral to form the Combined Group, which will be one of Australia's leading providers of diagnostic imaging services.

Noting that Capitol Bidco's knowledge of Integral, and the assets and operations of Integral, is limited to public information, Capitol Bidco does not intend to make any immediate material changes to the operations of Capitol or Integral. Instead, Capitol Bidco intends to conduct a thorough and broad-based general review of the corporate structure, assets, businesses, personnel and operations of Integral. This review will apply quantitative and qualitative factors to measure performance and areas for improvement.

Whilst Capitol Bidco does not have any specific intentions in relation to this review or its outcomes, its current ~~expectations~~ expectation is that the review will focus on identifying opportunities in relation to:

- profit improvement measures involving a wide range of initiatives including (but not limited to) overhead cost reductions;
- organisation and management structure;
- marketing strategies through the re-branding of the businesses of Capitol and Integral as the Combined Group;
- the efficiency of management and governance structures;
- engagement with key managers, radiologists and other technical personnel; and
- organic and inorganic growth opportunities.

(d) Dividend policy

Capitol Bidco is advised that the Capitol Directors intend Capitol to target a dividend payout ratio of between 65% and 75% of Capitol's NPATA (net profit after tax and amortisation) and to the extent possible, would seek to frank any dividends. However, the level of any dividend payout ratio may vary depending on a range of factors including:

- general business and financial conditions;
- cash flow;
- unusual or non-recurring items;
- capital expenditure requirements;
- working capital requirements;
- potential acquisition opportunities;
- taxation requirements; and
- other factors that the Capitol Directors consider relevant.

The payment of a dividend, and any franking credits to be applied to any dividend, would always be at the discretion of the Capitol Directors.

5.4 Intentions upon acquisition of less than 90% of the Integral Shares

The Offer includes a 90% relevant interest condition (see section 11.6(a)). While Capitol Bidco has no present intention to waive that condition, it reserves its right to declare the Offer free from that condition (or any other Defeating Condition of the Offer).

This section 5.4 sets out the intentions of Capitol Bidco if the Offer is declared free from the 90% minimum acceptance condition (without Capitol Bidco becoming entitled to compulsorily acquire the outstanding Integral Shares) but, by virtue of acceptance of the Offer, Capitol Bidco nevertheless gains effective control of Integral.

In those circumstances, the current intentions of Capitol Bidco are as follows.

- (a) Corporate matters

It is intended that Capitol Bidco would:

- maintain the listing of Integral on ASX, subject to the requirements for listing (including a sufficient spread of investors) continuing to be satisfied (although in this event the liquidity of Integral Shares on ASX is likely to be materially diminished); and
- subject to the Corporations Act and constitution of Integral, seek to add to, or replace, a proportion of the members of the Integral Board with nominees of Capitol (to reflect the proportionate ownership interest of Capitol Bidco in Integral), with minority shareholders represented by at least one independent director. Capitol Bidco has not made any decision as to who would be nominated for appointment to the Integral Board in this case.

(b) Head office and head office employees

Capitol Bidco would not seek to combine the corporate head offices of Integral and Capitol unless it acquires 100% of Integral Shares. However, Capitol Bidco would, through its nominees to the Integral Board, propose that the consideration of possible head office cost reductions be included in a general operational review.

(c) General operational review

Capitol Bidco, through its nominees on the Integral Board, is likely to propose that Integral implement a general operational review of the nature referred to in section 5.3(c), with the aim of pursuing, to the maximum extent possible and appropriate, the types of opportunities which might have been available to Capitol Bidco if Capitol Bidco had acquired 100% of Integral Shares. However, there is no assurance that ~~these~~ those opportunities will be available, or would deliver the same benefits for remaining Integral Shareholders, if Capitol does not own 100% of Integral Shares.

(d) Further acquisition of Integral Shares

Capitol Bidco may, at some later time, acquire further Integral Shares in a manner that is consistent with the Corporations Act.

(e) Compulsory acquisition at a later time

If Capitol Bidco becomes entitled at some later time to exercise general compulsory acquisition rights under the Corporations Act, it may exercise those rights.

(f) Dividend policy

Capitol Bidco's view on payment of dividends by Integral may be different to those of the current Integral Board, which may result in their increase or decrease. No determination has been made by Capitol Bidco at this time regarding Integral's dividend and capital management policies after the conclusion of the Offer.

5.5 Other intentions

Other than as set out in this section 5, it is the present intention of Capitol Bidco to procure that Integral will:

- generally continue the business of Integral;
- not make any major changes to the business of Integral, nor redeploy any of the fixed assets of Integral; and
- continue the employment of the current employees of Integral (including its doctors and other medical staff, technical staff and clinic staff).

5.6 Limitations on intentions

The intentions and statements of future conduct set out in this section 5 must be read as being subject to:

- the law (including the Corporations Act) and the ASX Listing Rules, including in particular the requirements of the Corporations Act and the ASX Listing Rules in relation to conflicts of interest and 'related party' transactions given that, if Capitol Bidco obtains control of Integral but does not acquire all of the Integral Shares, it and Capitol Bidco will be treated as related parties of Integral for these purposes;
- the legal obligation of the Integral Directors at the time, including any nominees of Capitol Bidco, to act in good faith in the best interests of Integral and for proper purposes and to have regard to the interests of all Integral Shareholders; and
- the outcome of the reviews referred to in sections 5.3(c) and 5.4(c).

6 Profile of the Combined Group and effect of the Offer

6.1 Overview of the Combined Group

A merger of Capitol and Integral will create a Combined Group with a network footprint, scale and investment capacity that will be well positioned to meet the growing demand for high quality diagnostic imaging services.

Capitol Bidco believes that a truly integrated network would be formed. The Combined Group will have a greater capacity to invest in expansion, attract quality healthcare professionals and external investment and create value for all shareholders of the Combined Group.

The If Capitol Bidco acquires 100% of the Integral Shares, the Combined Group will is forecast to have:

- Revenue of ~~over A\$320~~ between A\$318 million and A\$326 million per year²²
- EBITDA of ~~A\$68~~ between A\$67 million and A\$70 million including estimated synergies²³
- Net Profit After Tax of ~~A\$31~~ between A\$32 million and A\$34 million including estimated synergies²⁴
- Synergies of approximately A\$5 million (estimated)²⁵
- Pro forma market capitalisation of approximately A\$~~518~~488 million²⁶

The increased scale of the Combined Group should enhance capital market interest as well as provide Integral Shareholders (who accept the Offer and become Capitol Shareholders) with increased liquidity compared with historical trading of Integral Shares.

Capitol Bidco believes that the merger presents an attractive opportunity for both Integral and Capitol Shareholders for the following reasons:

- **Strategic alignment of Capitol and Integral:** The combination of the two companies will create one of Australia's leading providers of diagnostic imaging, through its network of clinics and hospital practices. The two businesses operate complementary networks and partner with high quality healthcare professionals to deliver best-in-class outcomes for patients and doctors.
- **Benefits to Integral Doctors:** The Combined Group will have a larger referral network, providing greater revenue opportunities, and will provide doctors with greater options for continuing professional development and flexibility to operate across new regions. Capitol Bidco will promote the development of centres of excellence such as Imaging ~~at~~ @ Olympic Park.
- **Greater scale and financial strength to capitalise on growth opportunities in the healthcare market:** The Combined Group is estimated to have underlying pro forma FY18 EBITDA of ~~A\$68~~ A\$67 million and A\$70 million²⁷. Shareholders of the

²² Refer to section 6.9 for further detail.

²³ Refer to section 6.9 for further detail.

²⁴ On a run-rate basis, and excluding ~~one-off~~ transaction-, restructure and integration costs.

²⁵ Refer to section 6.9 for further detail.

²⁶ Based on a valuation of each Capitol Share of A\$0.~~2700~~2875, being the closing price on 30 January 2018~~24 December 2017~~, the last trading day prior to the date of this Bidder's Statement. Assuming all of the Integral Options are exercised and all of the Integral Performance Rights vest and the holders of such Integral Options and Integral Performance Rights accept the Offer.

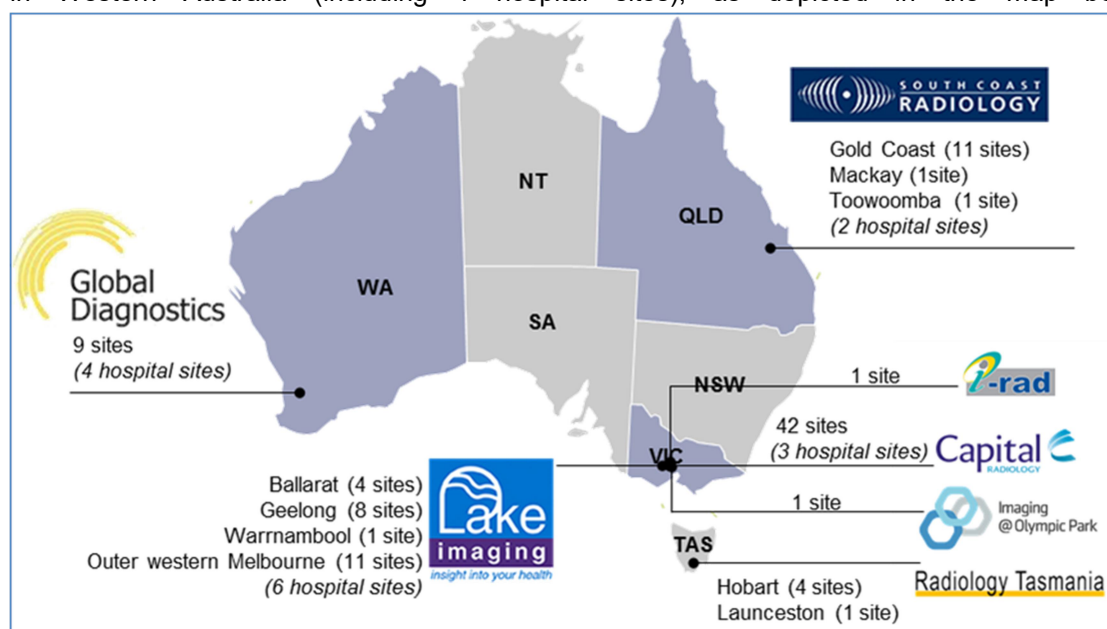
²⁷ Refer to section 6.9 for further detail.

Combined Group should benefit from owning shares in a company with greater liquidity and improved access to capital markets to fund growth opportunities.

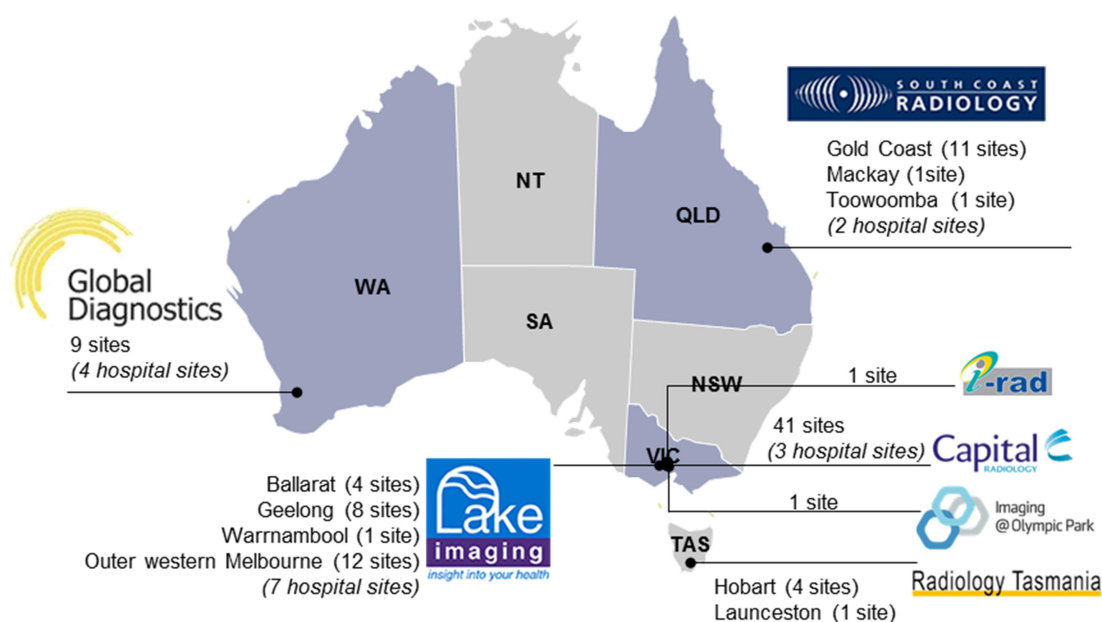
- **Diversified geographic and clinical profile with upside:** The Combined Group will have a more diverse growth platform across modalities, geography, hospitals and community practices. Capitol's strong presence through metropolitan community clinics in key growth corridors across Victoria is complemented by Integral's regionally focused operations in Victoria and strong positions in Western Australia and Queensland. Capitol will gain exposure to Integral's hospital contracts, whilst Integral will benefit from Capitol's exposure to diagnostic imaging artificial intelligence through Enlitic and its China Joint Ventures with CITIC Pharmaceutical and Zhouxin.²⁸

6.2 Operations of the Combined Group

The Combined Group's facility network will comprise 67-68 locations in Victoria (including 9-10 hospital sites), 13 sites in Queensland (including 2 hospital sites), 5 sites in Tasmania and 9 sites in Western Australia (including 4 hospital sites), as depicted in the map below.



²⁸ Further detail contained on Capitol's investment in Enlitic Inc. and Joint Venture arrangements is contained in Capitol's AGM presentation on 22 November 2017. [Further information on Enlitic Inc. is also available on its website: www.enlitic.com.](http://www.enlitic.com)



The healthcare services provided at these facilities will include Radiography / X-ray, Ultrasound, CT, Nuclear Medicine/PET and MRI.

The Combined Group is estimated to have a pro forma market capitalisation of approximately A\$~~488~~⁵¹⁸ million.²⁹

The Combined Group's larger balance sheet and greater capacity to access capital is expected to allow the Combined Group to undertake an aggressive growth strategy of acquiring attractive targets and developing new facilities in attractive geographies. The Combined Group is estimated to have underlying unaudited pro forma FY18 EBITDA of ~~A\$68~~ between A\$67 and A\$70 million.

6.3 Potential synergies and other benefits

Capitol Bidco expects that potential synergies and other benefits will be available to the Combined Group in the event that Capitol Bidco acquires 100% of the Integral Shares. Refer to section 5.1 for further information.

6.4 Effect of the Offer on the capital structure of the Combined Group

The following table represents the effect of the Offer on Capitol's capital structure based on Capitol Bidco owning 100% and 50% (respectively) of Integral shares on ~~issue:~~ issue:^{29A}

²⁹ Based on a valuation of each Capitol Share of A\$~~0.2700~~^{0.2875}, being the close price on ~~30 January 2018~~^{21 December 2017}, the last trading day prior to the date of this Bidder's Statement. Assuming all of the Integral Options are exercised and all of the Integral Performance Rights vest and the holders of such Integral Options and Integral Performance Rights accept the Offer.

Name	100%		50%	
	Number	%	Number	%
Capitol Shares on issue at the date of this Bidder's Statement	802,456,607	44.50 <u>44.44</u> %	802,456,607	64.59 <u>61.53</u> %
New Capitol Shares issued to Integral Shareholders	1,000,804,683 <u>1,003,306,520</u>	55.50 <u>55.56</u> %	500,402,342 <u>501,653,260</u>	38.41 <u>38.47</u> %
Total Capitol Shares on issue after the Offer	1,803,261,290 <u>1,805,763,127</u>	100.00%	1,302,858,949 <u>1,304,109,867</u>	100.00%

6.5 Effect of the Offer on the Combined Group's board

Capitol will be the parent entity of the Combined Group. The Capitol Board currently comprises the Capitol Directors. Andrew Demetriou, Andrew Harrison, Nicole Sheffield and Richard Loveridge are the Capitol Directors. Refer to section 2 for further information on these individuals.

In the event that Capitol Bidco acquires control of Integral under the Offer, Capitol intends to appoint a non-executive director (who is a medical professional) to the Capitol Board. Any other appointments to the Capitol Board will be considered in the normal course of Capitol Board deliberations.

6.6 Effect of the Offer on the Combined Group's substantial holders

If Capitol Bidco acquires all of the Integral Shares, there will be approximately ~~1,803~~1,806 million Capitol Shares on issue, of which approximately ~~1,001~~1,003 million Capitol Shares (or 55%) will be held by Integral Shareholders. If Capitol Bidco acquires 50.1% of the Integral Shares, there will be approximately 1,304 million Capitol Shares on issue, of which approximately ~~501~~502 million Capitol Shares (or 38%) will be held by Integral Shareholders.

A list of the Combined Group's top ~~40~~six shareholders if Capitol acquires 100% of Integral Shares under the Offer based on shareholdings reported prior to the date of this Bidder's Statement, and assuming these Integral Shareholders do not dispose of their Integral Shares other than pursuant to the Offer, is set out below:³⁰

Name	No. of shares	% of total
Investors Mutual	93,288,000	5.17%
Paradise Investment Mgt	79,623,816	4.42 %
IOOF Holdings Limited	78,480,365	4.35%
Paradise Investment Mgt	76,500,000	4.24 %
Adam Smith Asset Management	58,378,706 <u>68,651,074</u>	3.24 <u>3.80</u> %
Regal Funds Management	55,810,629	3.09%
Viburnum	50,135,855	2.78%
Ophir Asset Mgt	38,022,105	2.11 %
Wilson Asset Mgt	33,157,826	1.84 %
Mr John Conidi	32,516,859	1.80 %
MicroEquities	29,775,304	1.65 %

^{29A} Assuming all of the Integral Options are exercised and all of the Integral Performance Rights vest and the holders of such Integral Options and Integral Performance Rights accept the Offer.

³⁰ Based on substantial holder notices ~~lodged by Integral Shareholders~~.

6.7 Pro-forma historical financial information of the Combined Group

Scenarios presented

Whilst the Offer includes a 90% relevant interest condition (see section 11.6(a)), and Capitol Bidco has no present intention to waive that condition, Capitol Bidco reserves its right to declare the Offer free from that condition (or any other Defeating Condition of the Offer).

In the event that Capitol Bidco waives the 90% relevant interest condition, the financial outcome will be dependant on the total number of acceptances under the Offer.

Capitol Bidco has undertaken scenario analysis of the relevant financial outcomes for both the pro-forma historical financial information of the Combined Group and the pro-forma forecast financial information of the Combined Group (section 6.9) that may arise under the following two scenarios:

- full control (100% relevant interest); and
- attaining control (50.1% relevant interest).

(a) Pro-forma unaudited consolidated statement of profit or loss ~~and other comprehensive income~~

100% Relevant Interest Scenario

Year ended 30 June 2017

COMBINED GROUP

	Pro- Forma			
	Capitol	Integral	Adjustments	Combined Group
Note	A\$'000			
Revenue	108,204	180,102	-	288,306
Operating Expenses -(excluding Depreciation, Amortisation and Interest)	93,681	146,213	(5,000)	234,894
EBITDA	14,523	33,889	5,000	53,412
Depreciation & Amortisation	5,624	9,831	-	15,455
EBIT	8,899	24,058	5,000	37,957
Borrowing Costs	2,443	2,841	(234) 204	5,050 5,080
Profit before Income Tax	6,456	21,217	5,234 5,204	32,907 32,877
Income Tax Expense	1,739	5,801 6,161	4,570 1,561	9,111 9,462
Pro-Forma Profit	4,717	15,416 15,056	3,664 3,643	23,796 23,415
Pro-Forma Profit Attributable to:				
Members of The Combined Group	4,717	15,056	3,643	23,415
Reconciliation of Reported to Pro-Forma Profit				
Reported Profit	(4,061)	15,480		
Discontinued Operations in relation to NSW Operations	5,805	-		
Non-Recurring Income / Expense adjustments				
Reversal of Contingent Consideration	(1,500)	-		
Profit on Sale of Property	(221)	-		
China Business Development Costs	436	-		
Forefeiture of Options	541	-		
Impairment of Listed Investment	779	-		
Impairment of Property	83	-		
Termination & Restructure Costs	3,884	-		
Fair Value Gain on Acquisition of SWMRI Joint Venture	-	-	(1,200)	
Impairment of Asset and Restructuring Provision	-	-	1,108	
Income tax Expense On Adjustments	(1,029)	28 (332)		
Pro-Forma Profit	4,717	15,416 15,056		

Notes:

i On 25 August 2017, Capitol announced to the ASX Core Radiology EBITDA of A\$22.2 million. This included A\$7.6 million of EBITDA contribution from discontinued operations.

Year ended 30 June 2016

COMBINED GROUP

Pro- Forma			
Capitol	Integral	Adjustments	Combined Group
A\$'000			

Revenue	104,519	168,033	-	272,552
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Operating Expenses (excluding Depreciation, Amortisation and Interest)	82,636	<u>91,212</u>	132,540	(5,000)	210,176 <u>218,752</u>
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EBITDA	21,883	<u>13,307</u>	35,493	5,000	62,376 <u>53,800</u>
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Depreciation & Amortisation	4,627	8,720	-	13,347
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EBIT	17,256	<u>8,680</u>	26,773	5,000	49,029 <u>40,453</u>
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Borrowing Costs	2,486	3,333	(769)	739	5,050 <u>5,080</u>
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Profit before Income Tax	14,770	<u>6,194</u>	23,440	5,769	43,979 <u>35,373</u>
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Income Tax Expense	1,841	<u>2,246</u>	7,159	1,731	10,730 <u>11,127</u>
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Pro-Forma Profit	12,929	<u>3,948</u>	16,281	4,038	33,249 <u>24,246</u>
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Pro-Forma Profit Attributable to:

<u>Members of The Combined Group</u>	<u>3,948</u>	<u>16,281</u>	<u>4,017</u>	<u>24,246</u>
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Reconciliation of reported profit for the year to Pro-Forma Profit

Reported Profit	(4,684)	11,388
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Discontinued Operations in relation to NSW Operations	6,368	-
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~~Non-recurring income/expense adjustments~~
Historical Income and expenses not related to the ongoing operations of Capitol and Integral:

Business Development Costs China	800	-
Intangible Asset Impairment <u>of internally generated intangible assets</u>	8,148	<u>1,085</u>

Investment Impairment	745	-
<u>Termination costs</u>	<u>604</u>	<u>-</u>

Acquisition and Restructure Costs <u>IPO transaction costs</u>	2,117	-
<u>Transaction costs</u>	<u>-</u>	<u>6,990</u>

		<u>669</u>
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Income tax Expense On Adjustments	(565)	<u>(970)</u>
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Pro-Forma Profit	12,929	<u>3,948</u>
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Year ended 30 June 2015

COMBINED GROUP

	Pro- Forma			
	Capitol	Integral	Adjustments	Combined Group
	A\$'000			
Revenue	101,466	151,402	-	252,868
Operating Expenses (excluding Depreciation, Amortisation and Interest)	80,634	117,522	(5,000)	193,156
EBITDA	20,832	33,880	5,000	59,712
Depreciation & Amortisation	4,539	8,606	-	13,145
EBIT	16,293	25,274	5,000	46,567
Borrowing Costs	1,230	4,298	(478,448)	5,050,080
Profit before Income Tax	15,063	20,976	5,478,448	41,517,41,487
Income Tax Expense	4,399	9,147	1,643,634	15,189,15,180
Pro-Forma Profit	10,664	11,830	3,835,814	26,328,26,307
<u>Pro-Forma Profit Attributable to:</u>				
<u>Owners of The Combined Group</u>	<u>10,664</u>	<u>11,525</u>	<u>3,814</u>	<u>26,002</u>
<u>Non-Controlling Interests</u>	<u>-</u>	<u>305</u>	<u>-</u>	<u>305</u>
	<u>10,664</u>	<u>11,830</u>	<u>3,814</u>	<u>26,307</u>
Reconciliation of reported profit for the year to Pro-Forma Profit				
Reported Profit	3,864	4,805		
Discontinued Operations in relation to NSW Operations	(470)	-		
Non-recurring income/expense adjustments <u>Historical Income and expenses not related to the ongoing operations of Capitol and Integral:</u>				
Acquisition and Restructure Costs	7,948	10,035		
Income tax Expense On Adjustments	(678)	(3,011)		
Pro-Forma Profit	10,664	11,830		

50.1% Relevant Interest Scenario

Year ended 30 June 2017

COMBINED GROUP	Pro- Forma			
	Capitol	Integral	Adjustments	Combined Group
	A\$'000			
Revenue	108,204	180,102	-	288,306
Operating Expenses (excluding Depreciation, Amortisation and Interest)	93,681	146,213	-	239,894
EBITDA	14,523	33,889	-	48,412
Depreciation & Amortisation	5,624	9,831	-	15,455
EBIT	8,899	24,058	-	32,957
Borrowing Costs	2,443	2,841	(365)	4,919
Profit before Income Tax	6,456	21,217	365	28,038
Income Tax Expense	1,739	6,161	110	8,010
Pro-Forma Profit	4,717	15,056	256	20,028
Pro-Forma Profit Attributable to:				
Owners of The Combined Group	4,717	7,543	256	12,516
Non-Controlling Interests	-	7,513	-	7,513
	4,717	15,056	256	20,028
Reconciliation of Reported to Pro-Forma Profit				
Reported Profit	(4,061)	15,480		
Discontinued Operations in relation to NSW Operations	5,805	-		
Historical Income and expenses not related to the ongoing operations of Capitol and Integral				
Reversal of Contingent Consideration	(1,500)	-		
Profit on Sale of Property	(221)	-		
China Business Development Costs	436	-		
Forefeiture of Options	541	-		
Impairment of Listed Investment	779	-		
Impairment of Property	83	-		
Termination & Restructure Costs	3,884	-		
Fair Value Gain on Acquisition of SWMRI Joint Venture	-	(1,200)		
Impairment of Asset and Restructuring Provision	-	1,108		
Income tax Expense On Adjustments	(1,029)	(332)		
Pro-Forma Profit	4,717	15,056		

Year ended 30 June 2016

COMBINED GROUP	Pro- Forma			
	Capitol	Integral	Adjustments	Combined Group
	A\$'000			
Revenue	104,519	168,033	-	272,552
Operating Expenses (excluding Depreciation, Amortisation and Interest)	91,212	132,540	-	223,752
EBITDA	13,307	35,493	-	48,800
Depreciation & Amortisation	4,627	8,720	-	13,347
EBIT	8,680	26,773	-	35,453
Borrowing Costs	2,486	3,333	(900)	4,919
Profit before Income Tax	6,194	23,440	900	30,534
Income Tax Expense	2,246	7,159	270	9,675
Pro-Forma Profit	3,948	16,281	630	20,859
Pro-Forma Profit Attributable to:				
Owners of The Combined Group	3,948	8,157	630	12,735
Non-Controlling Interests	-	8,124	-	8,124
	3,948	16,281	630	20,859
Reconciliation of reported profit for the year to Pro-Forma Profit				
Reported Profit	(4,684)	11,388		
Discontinued Operations in relation to NSW Operations	6,368	-		
Historical Income and expenses not related to the ongoing operations of Capitol and Integral				
Business Development Costs China	800	-		
Impairment of internally generated intangible assets	1,085	-		
Investment Impairment	745	-		
Termination costs	604	-		
IPO transaction costs	-	6,321		
Transaction costs	-	669		
Income tax Expense On Adjustments	(970)	(2,097)		
Pro-Forma Profit	3,948	16,281		

Year ended 30 June 2015

COMBINED GROUP	Pro- Forma			
	Capitol	Integral	Adjustments	Combined Group
	A\$'000			
Revenue	101,466	151,402	-	252,868
Operating Expenses (excluding Depreciation, Amortisation and Interest)	80,634	117,522	-	198,156
EBITDA	20,832	33,880	-	54,712
Depreciation & Amortisation	4,539	8,606	-	13,145
EBIT	16,293	25,274	-	41,567
Borrowing Costs	1,230	4,298	(609)	4,919
Profit before Income Tax	15,063	20,976	609	36,648
Income Tax Expense	4,399	9,147	183	13,728
Pro-Forma Profit	10,664	11,830	426	22,920
Pro-Forma Profit Attributable to:				
Owners of The Combined Group	10,664	5,774	426	16,864
Non-Controlling Interests	-	6,056	-	6,056
	10,664	11,830	426	22,920
Reconciliation of reported profit for the year to Pro-Forma Profit				
Reported Profit	3,864	4,805		
Discontinued Operations in relation to NSW Operations	(470)	-		
Historical Income and expenses not related to the ongoing operations of Capitol and Integral				
Acquisition/Transaction and Restructure Costs	7,948	10,035		
Income tax Expense On Adjustments	(678)	(3,011)		
Pro-Forma Profit	10,664	11,830		

50.1% Relevant Interest Scenario

COMBINED GROUP

As at 30 June 2017					
Capitol	Integral	Radiology Tasmania and I- rad	Adjustments	Combined Group	
Audited		Unaudited	Pro-Forma		
A\$'000					
Assets					
Current Assets					
Cash and Cash Equivalents	18,217	24,210	-	39,403	81,830
Trade and Other Receivables	7,115	5,149	273	-	12,537
Other Financial Assets	183	56	-	-	239
Income Tax Refundable	161	-	-	27	188
Inventory	-	393	-	-	393
Other Assets	877	3,458	162	-	4,497
	26,553	33,266	435	39,430	99,684
Non-Current Assets Held for Sale	82,225	-	-	(81,425)	800
Total Current Assets	108,778	33,266	435	(41,995)	100,484
Non-Current Assets					
Other Financial Assets	14,604	-	-	-	14,604
Property, Plant & Equipment	23,267	50,523	6,582	-	80,372
Intangible Assets	53,190	103,921	160	256,309	413,580
Deferred Tax Assets	4,597	2,675	67	189	7,528
Total Non-Current Assets	95,658	157,119	6,809	256,498	516,084
Total Assets	204,436	190,385	7,244	214,503	616,568
Liabilities					
Current Liabilities					
Trade and Other Payables	12,599	8,340	265	1,500	22,704
Employee Benefits	7,360	10,352	580	-	18,292
Other Provisions	-	298	-	-	298
Derivative Financial Instrument	-	59	-	-	59
Income Tax Payable	-	(34)	52	(290)	(272)
Loans and Borrowings	1,175	11,495	818	-	13,488
	21,134	30,510	1,715	1,210	54,569
Liabilities Directly Associated with Assets Held for Sale	2,884	-	-	(2,884)	-
Total Current Liabilities	24,018	30,510	1,715	(1,674)	54,569
Non-Current Liabilities					
Employee Benefits	1,864	1,704	-	630	4,198
Other Provisions	-	6,422	-	-	6,422
Loans and Borrowings	58,554	61,397	-	26,370	146,321
Deferred Tax Liabilities	973	-	-	-	973
Total Non-Current Liabilities	61,391	69,523	-	27,000	157,914
Total liabilities	85,409	100,033	1,715	25,326	212,483
Net Assets	119,027	90,352	5,529	189,177	404,085
Equity					
Issued Capital	125,854	83,866	-	42,693	252,413
Reserves	(1,038)	(11,862)	-	11,862	(1,038)
Retained Earnings / (Accumulated Losses)	(5,789)	18,348	5,529	(26,674)	(8,586)
Capital and Reserves Attributable to Owners of the Combined Group	119,027	90,352	5,529	27,881	242,789
Non-Controlling Interest	-	-	-	161,296	161,296
Total Equity	119,027	90,352	5,529	189,177	404,085

(c) Pro-forma unaudited consolidated statement of cash flows

100% Relevant Interest Scenario

Year ended 30 June 2017

COMBINED GROUP

Pro- Forma			
Capitol	Integral	Adjustments	Combined Group
A\$'000			

Cash Flows From / (Used In) Operating Activities

Cash Receipts in the Course of Operations	108,409	179,604	-	288,013
Cash Payments in the Course of Operations	(91,870) <u>91,216</u>	(146,314)	(5,000)	(243,184) <u>232,530</u>
Interest Received	151	(180)	-	(29)
Interest Paid	(2,460)	(2,960)	370 <u>340</u>	(5,050) <u>5,080</u>
Income Tax Paid	(1,092)	(7,420)	(1,570) <u>1,602</u>	(6,942) <u>10,114</u>
Net Cash From Operating Activities	13,138<u>13,792</u>	22,730	(3,060)<u>3,738</u>	32,808<u>40,260</u>

Net Cash Used In Investing Activities	(8,653)	(14,709)	-	(23,362)
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Net Cash From / (Used In) Financing Activities	34,101	(7,431)	-	26,670
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Net Increase / (Decrease) in Cash and Cash Equivalents	38,586<u>39,240</u>	590	(3,060)<u>3,738</u>	36,116<u>43,568</u>
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Reconciliation of Reported Total Cash Flows to Pro-Forma Cash Flows

Reported Net Cash Flows for the Year	2,473	590		
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Remove Cash Flows Associated with Discontinued Operations in relation to NSW operations	36,113<u>36,767</u>	-		
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Pro-forma Net Cash Flows for the Year	38,586<u>39,240</u>	590		
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Year ended 30 June 2016

COMBINED GROUP

Pro- Forma			
Capitol	Integral	Adjustments	Combined Group
A\$'000			

Cash Flows From / (Used In) Operating Activities

Cash Receipts in the Course of Operations	105,701	166,804	-	272,505
Cash Payments in the Course of Operations	(91,511)	(131,706)	(5,000)	(228,217)
Interest Received	262	(189)	-	73
Interest Paid	(604)	(3,067)	(1,379)	(5,050)
Income Tax Paid	(2,930)	(7,787)	(1,731)	(8,986)
Net Cash From Operating Activities	10,918	24,055	(4,648)	30,325

Net Cash Used In Investing Activities

	(16,128)	(16,659)	-	(32,787)
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Net Cash From / (Used In) Financing Activities

	(2,014)	6,628	-	4,614
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Net Increase / (Decrease) in Cash and Cash Equivalents

	(7,224)	14,024	(4,648)	2,152
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Reconciliation of Reported Total Cash Flows to Pro-Forma Cash Flows

Reported Net Cash Flows for the Year

	(20,965)	14,024	
--	----------	--------	--

Remove Cash Flows Associated with Discontinued Operations in relation to NSW operations

	13,741	-	
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Pro-forma Net Cash Flows for the Year

	(7,224)	14,024	
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Year ended 30 June 2015

COMBINED GROUP

Cash Flows From / (Used In) Operating Activities

	Capitol	Integral	Pro- Forma Adjustments	Combined Group
			A\$'000	
Cash Receipts in the Course of Operations	100,235	151,192	-	251,427
Cash Payments in the Course of Operations	(87,564)	(114,042)	(5,000)	(206,606)
Interest Received	581	(10,035)	-	(9,454)
Interest Paid	(1,162)	(3,847)	(4171)	(5,050)
Income Tax Paid	(2,205)	(6,156)	(1,643)	(6,718)
Net Cash From Operating Activities	9,885	17,112	(3,398)	23,599
Net Cash Used In Investing Activities	(33,290)	(67,975)	-	(101,265)
Net Cash From / (Used In) Financing Activities	71,799	53,788	-	125,587
Net Increase / (Decrease) in Cash and Cash Equivalents	48,394	2,925	(3,398)	47,921

Reconciliation of Reported Total Cash Flows to Pro-Forma Cash Flows

Reported Net Cash Flows for the Year 27,589 2,925

Remove Cash Flows Associated with Discontinued Operations in relation to NSW operations 20,805 -

Pro-forma Net Cash Flows for the Year 48,394 2,925

Reconciliation of discontinued cash flows to Capitol's FY17 Annual Report

It should be noted that the pro forma cash flows associated with NSW operations as set out in the tables above include both operational and non-operational cash flows.

In Capitol's FY17 annual report, note 10(b) sets out net cash flows from discontinued operations. This note only included cash flows that related to the operations of the discontinued operations.

The table below sets out a reconciliation of FY17 and FY16 net cash flows from discontinued operations as set out in note 10(b) of Capitol's FY17 annual report and the cash flows associated with discontinued operations in relation to NSW operations set out in this Bidder's Statement.

	Financial Year Ended	
	2017	2016
	A\$'000	
Net Cash Flows from Discontinued Operations - Capitol's FY17 annual report	(363)	845
Cash flows for payments for subsidiaries/business acquisitions	(54)	(32,041)
Payment of acquisition costs associated with NSW acquisitions	-	(4,886)
Proceeds from secured loans related to the NSW acquisitions	-	23,527
Repayment of secured loans related to the NSW acquisitions	(36,350)	-
Net Cash Flows from Discontinued Operations - Bidder's Statement	(36,767)	(12,555)

50.1% Relevant Interest Scenario

Year ended 30 June 2017

COMBINED GROUP	Pro- Forma			
	Capitol	Integral	Adjustments	Combined Group
	A\$'000			
Cash Flows From / (Used In) Operating Activities				
Cash Receipts in the Course of Operations	108,409	179,604	-	288,013
Cash Payments in the Course of Operations	(91,216)	(146,314)	-	(237,530)
Interest Received	151	(180)	-	(29)
Interest Paid	(2,460)	(2,960)	501	(4,919)
Income Tax Paid	(1,092)	(7,420)	(150)	(8,662)
Net Cash From Operating Activities	13,792	22,730	351	36,873
Net Cash Used In Investing Activities	(8,653)	(14,709)	-	(23,362)
Net Cash From / (Used In) Financing Activities	34,101	(7,431)	-	26,670
Net Increase / (Decrease) in Cash and Cash Equivalents	39,240	590	351	40,181
Reconciliation of Reported Total Cash Flows to Pro-Forma Cash Flows				
Reported Net Cash Flows for the Year	2,473	590		
Remove Cash Flows Associated with Discontinued Operations in relation to NSW operations	36,767	-		
Pro-forma Net Cash Flows for the Year	39,240	590		

Year ended 30 June 2016

COMBINED GROUP	Pro- Forma			
	Capitol	Integral	Adjustments	Combined Group
	A\$'000			
Cash Flows From / (Used In) Operating Activities				
Cash Receipts in the Course of Operations	105,701	166,804	-	272,505
Cash Payments in the Course of Operations	(91,496)	(131,706)	-	(223,202)
Interest Received	262	(189)	-	73
Interest Paid	(604)	(3,067)	(1,248)	(4,919)
Income Tax Paid	(2,930)	(7,787)	374	(10,343)
Net Cash From Operating Activities	10,933	24,055	(873)	34,115
Net Cash Used In Investing Activities	(17,329)	(16,659)	-	(33,988)
Net Cash From / (Used In) Financing Activities	(2,014)	6,628	-	4,614
Net Increase / (Decrease) in Cash and Cash Equivalents	(8,410)	14,024	(873)	4,741
Reconciliation of Reported Total Cash Flows to Pro-Forma Cash Flows				
Reported Net Cash Flows for the Year	(20,965)	14,024		
Remove Cash Flows Associated with Discontinued Operations in relation to NSW operations	12,555	-		
Pro-forma Net Cash Flows for the Year	(8,410)	14,024		

Year ended 30 June 2015

COMBINED GROUP	Pro- Forma			
	Capitol	Integral	Adjustments	Combined Group
	A\$'000			
Cash Flows From / (Used In) Operating Activities				
Cash Receipts in the Course of Operations	100,235	151,192	-	251,427
Cash Payments in the Course of Operations	(87,564)	(114,042)	-	(201,606)
Interest Received	581	(10,035)	-	(9,454)
Interest Paid	(1,162)	(3,847)	90	(4,919)
Income Tax Paid	(2,205)	(6,156)	(27)	(8,388)
Net Cash From Operating Activities	9,885	17,112	63	27,060
Net Cash Used In Investing Activities	(33,290)	(67,975)	-	(101,265)
Net Cash From / (Used In) Financing Activities	71,799	53,788	-	125,587
Net Increase / (Decrease) in Cash and Cash Equivalents	48,394	2,925	63	51,382
Reconciliation of Reported Total Cash Flows to Pro-Forma Cash Flows				
Reported Net Cash Flows for the Year	27,589	2,925		
Remove Cash Flows Associated with Discontinued Operations in relation to NSW operations	20,805	-		
Pro-forma Net Cash Flows for the Year	48,394	2,925		

6.8 Basis of preparation of the pro-forma financial information

Pro forma unaudited statement of profit and loss

100% relevant interest

The pro forma unaudited statement of profit and loss for the three years ended 30 June 2017 has been prepared to illustrate the impact of the following:

- the removal of the financial impact of the NSW ~~Radiology~~ radiology businesses that were disposed of by Capitol on 31 August 2017 in each respective financial year;
 - the acquisition of all Integral Shares by Capitol Bidco under the Offer as if the acquisition had occurred on 1 July 2014;
 - assumed annual pre-tax cost synergies of A\$5 million per annum, excluding ~~one-off~~ transaction-, re-restructure and integration expenses;
 - the estimated annualised interest costs of the Combined Group based on the total estimated debt of the Combined Group following completion of the above transactions, and based on current borrowing rates and Capitol's current bank facilities after taking account of:
 - funding the acquisition of I-rad which completed on 22 January 2018;
 - funding of the remaining balance due on the acquisition of Radiology Tasmania;
 - forecast interest on financial leases with Radiology Tasmania and I-rad; and
 - the re-financing of Capitol's Unsecured Notes of A\$48.3 million in May 2018 being the date of the first opportunity to do so.
- ~~The~~ funding of the cash component of the ~~proposed acquisition price of A\$52.6 million;~~ ~~funding of Capitol Offer consideration for Integral Shares in the amount A\$52.3 million~~ and Capitol Bidco's transaction costs associated with the acquisition of Integral, Radiology Tasmania and I-rad of ~~\$8.6 A\$9.9 million; and will all be sourced from Capitol's cash reserves (as detailed in section 7.2) and accordingly does not impact borrowing costs;~~
- ~~the re-financing of Capitol's Unsecured Notes of \$48.3 million in May 2018 being the date of the first opportunity to do so; and~~
- the removal of the impact of ~~non-recurring~~ non-operating income and expenses within Capitol and Integral within each respective financial year to demonstrate the underlying normalised earnings of each entity.

50.1% relevant interest

The ~~pro-~~forma unaudited statement of profit and loss for the three years ended 30 June 2017 has been prepared to illustrate the impact of the same as the 100% relevant interest scenario, with the exception that:

- 50.1% of the Integral Shares are acquired by Capitol Bidco under the Offer as if the acquisition had occurred on 1 July 2014;
- there are no cost synergies assumed on the basis that Integral would continue to operate as a separate ASX listed entity (refer to section 5.4);
- the estimated annualised interest costs of Integral is based on an average of broker analyst forecasts (as further outlined in section 6.10) of Integral's interest costs for the year ending 30 June 2018.

Both scenarios

The pro-forma unaudited statement of profit and loss for the three years ended 30 June 2017 in both scenarios does not include the historical results of the businesses acquired by Capitol during the period of 1 July 2017 and the date of this Bidder's Statement, namely Radiology Tasmania and I-rad, on the basis that the historical financial statements of both Radiology Tasmania and I-rad are unaudited and have not been prepared in accordance with Australian Accounting Standards.

Pro-forma unaudited statement of financial position

100% relevant interest

The pro-forma unaudited statement of financial position as at 30 June 2017 has been prepared to illustrate the completion of the following pro forma transactions as if they had occurred on 30 June 2017:

- the sale of the NSW radiology businesses to I-Med Radiology ~~Business to I-Med~~ Network by Capitol for total net consideration of A\$80.3 million;
- the following changes in the issued share capital of Capitol between 30 June 2017 and the date of this Bidder's Statement:
 - share buyback undertaken in September 2017 of A\$2.51 million;
 - issue of shares from the exercise of employee options for cash consideration of A\$0.18 million; and
 - a capital reduction under section 258F of the Corporations Act of A\$6.83 million;
- the acquisition of all Integral Shares by Capitol Bidco under the Offer and based on a price for Capitol Shares of ~~A\$0.2875~~ A\$0.27 per share (being the closing price for Capitol Shares prior to the date of this Bidder's Statement);
- payment of assumed transaction costs of ~~A\$8.8~~ A\$9.9 million and associated deferred tax entries; and
- the acquisition of I-rad and Radiology Tasmania on the terms of the ASX announcements by Capitol on 18 and 21 December 2017, ~~respectively~~. This is based on the unaudited balance sheets of Radiology Tasmania and I-rad which have been subject to financial due diligence to ~~verify~~ ascertain whether they are prepared materially ~~prepared~~ in accordance with the Australian Accounting Standards.

50.1% relevant interest

The pro-forma unaudited statement of financial position as at 30 June 2017 has been prepared to illustrate the completion of the same pro forma transactions as the 100% scenario, with the exception of the acquisition of 50.1% of the Integral Shares by Capitol Bidco (rather than 100%) under the Offer and based on a price for Capitol Shares of A\$0.27 per share (being the closing price for Capitol Shares prior to the date of this Bidder's Statement).

Pro-forma unaudited statement of cash flows

100% relevant interest

The pro-forma unaudited statement of cash flows for the three years ended 30 June 2017 has been prepared to illustrate the impact of the following:

- the removal of the financial impact of the NSW ~~Radiology~~ radiology businesses that were disposed of by Capitol on 31 August 2017 in each respective financial year ~~including~~ cash flows related to:

- the operations of the NSW radiology businesses (the discontinued cash flows disclosed in note 10 of Capitol's annual report only disclosed operational cash flows);
- acquisition costs related to the acquisition of the NSW radiology businesses; and
- financing cash flows related to the funding of the acquisition costs of the NSW radiology businesses;
- the acquisition of all Integral Shares by Capitol Bidco under the Offer as if the acquisition had occurred on 1 July 2014;
- assumed annual pre-tax cost synergies of A\$5.0 million per annum, excluding ~~one-off~~ transaction-, ~~restructure~~ and integration expenses; and
- the estimated annualised interest costs of the Combined Group based on the total estimated debt of the Combined Group following completion of the above transactions, and based on current borrowing rates and Capitol's current bank facilities after taking account of:
 - funding ~~of the cash component of the proposed~~ acquisition ~~price of A\$52.6 million of I-rad which completed on 22 January 2018;~~
 - funding of ~~Capitol and Capitol Bidco's transaction costs associated with the~~ remaining balance due on the acquisition of ~~Integral, Radiology Tasmania and I-rad of \$8.6 million; and~~ Radiology Tasmania;
 - forecast interest on financial leases with Radiology Tasmania and I-rad; and
 - the re-financing of Capitol's Unsecured Notes of ~~\$48.3~~ A\$48.3 million in May 2018 being the date of the first opportunity to do so.

The funding of the cash component of the Offer consideration for Integral Shares in the amount A\$52.3 million and Capitol Bidco's transaction costs associated with the acquisition of Integral, Radiology Tasmania and I-rad of A\$9.9 million will all be sourced from Capitol's cash reserves (as detailed in section 7.2) and accordingly does not impact borrowing costs.

50.1% relevant interest

The pro-forma unaudited statement of cash flows for the three years ended 30 June 2017 has been prepared to illustrate the same as the 100% relevant interest scenario, with the exception that:

- 50.1% of the Integral Shares are acquired by Capitol Bidco under the Offer as if the acquisition had occurred on 1 July 2014;
- there are no assumed cost synergies on the basis that Integral would continue to operate as a separate ASX listed entity (refer section 5.4);
- the estimated annualised interest costs of Integral are based on an average of broker analyst forecasts (as further outlined in Section 6.10) of Integral's interest costs for the year ending 30 June 2018.

Both scenarios

The pro-forma unaudited statement of cash flows for the three years ended 30 June 2017 for both scenarios does not include the historical results of the businesses acquired by Capitol during the period of 1 July 2017 and the date of this Bidder's Statement, namely Radiology Tasmania and I-rad, on the basis that the historical financial statements of both Radiology Tasmania and I-rad are unaudited and are not prepared in accordance with Australian Accounting Standards.

6.9 Forecast financial information

~~Pro-forma~~ Overview of the forecast consolidated statement of profit and loss financial information

The forecast financial information for the year ending 30 June 2018 included in this section comprises:

- forecast profit and loss statement; and
- forecast financial ratios.

Both are presented in two scenarios – 100% and 50.1% acquisition of Integral.

The forecast profit and loss statement for both scenarios is presented in the following manner:

- three sections:
 - forecast pro-forma information for the 2018 financial year including all forecast synergy savings;
 - statutory forecast for the 2018 financial year; and
 - all reconciling items between the two forecasts;
- by each entity group of the Combined Group as well as a consolidated result of the Combined Group:
 - Capitol;
 - Radiology Tasmania and I-rad; and
 - Integral.

The basis of preparation and underlying assumptions made in relation to the forecast financial information in this section is set out in sections 6.10, 6.11 and 6.12. You should read these sections carefully. By its nature, prospective information is not fact, and the future is subject to inherent uncertainties (including the various risks set out in section 9). Accordingly, you are cautioned not to place undue reliance on the forecast financial information in this Bidder's Statement.

In particular, the pro-forma financial forecast of the Combined Group is presented to provide Integral Shareholders with an indication of the profile and performance of the Combined Group on an annualised basis. Integral Shareholders should note that the key differences between the basis on which the pro forma forecast of the Combined Group is predicated, and the basis on which the reported result for the year ending 30 June 2018 will be prepared, are that the reported result for the year ending 30 June 2018 will:

- exclude the contributions prior to the acquisition date of Integral and any other businesses acquired by Capitol during FY18;
- include a proportion of the annual forecast synergy savings as these synergy savings will be progressively realised following completion of the Offer;
- include the contributions of the NSW radiology businesses for the two months to 31 August 2017; and
- include transaction, restructure and integration costs incurred during the year.

As a result of the above key differences, and the future being subject to inherent uncertainties, the actual reported financial result of the Combined Group for the year ending 30 June 2018 may materially vary from the pro forma forecast of the Combined Group included in this Bidder's Statement.

To enable Integral Shareholders to understand the potential impact of the above on the reported results of the Combined Group for the year ending 30 June 2018, a statutory forecast profit and loss of the Combined Group has also been included in this Bidder's Statement together with a reconciliation of the statutory forecast profit and loss of the Combined Group to the pro forma forecast profit and loss of the Combined Group. In addition to the assumptions on which the forecast and pro forma forecasts are based as set out in sections 6.10, 6.11 and 6.12, the statutory forecast profit and loss has been based on a number of specific assumptions as set out in section 6.12.

(a) Pro-forma forecast ~~debt covenant ratios~~ and statutory forecast consolidated statement of profit and loss

100% Relevant Interest Scenario

Year Ending 30-Jun- June 18													
Capitol (Note 1)			Radiology Tasmania and I-rad Sunshine	Integral		Pro- Forma Adjust - ments	Combined Group Pro-Forma						
Note	From	To		From	To		From	To					
A\$'m													
Pro-Forma Full Year Forecast													
Revenue		112.4	117.4	18.1	187.0	188.3	193.0	190.8	-	317.5	318.8	328.5	326.3
Operating Expenses- (Note 2)	i	92.2	95.2	14.0	150.0	150.1	155.0	151.8	(5.0)	251.2	251.3	259.2	256.0
EBITDA		20.2	22.2	4.1	37.0	38.2	38.0	39.0	5.0	66.3	67.5	69.3	70.3
Depreciation & Amortisation		6.3	6.3	1.3	11.5	10.4	11.0	9.7	-	19.1	18.0	18.6	17.3
EBIT		13.9	15.9	2.8	25.5	27.8	27.0	29.3	5.0	47.2	49.5	50.7	53.0
Borrowing Costs	ii								5.1	5.1		5.1	
Profit before Income Tax									(0.01)	42.2	44.4	45.7	47.9
Income Tax Expense										12.6	11.8	13.7	13.5
Pro-forma Profit for the Year									(0.01)	29.5	32.6	32.0	34.4
Adjustments to Forecast - Statutory Basis													
Trading of Discontinued Operations Prior to Disposal Date													
Revenue		8.6	8.6							8.6		8.6	
Operating Expenses		7.3	7.3							7.3		7.3	
Depreciation & Amortisation		0.4	0.4							0.4		0.4	
Transactions Occurring Prior to Projected Acquisition Dates													
Revenue				(11.4)	(150.0)	(152.0)				(161.4)		(163.4)	
Operating Expenses				(8.7)	(118.0)	(120.0)				(126.7)		(128.7)	
Depreciation & Amortisation				(0.8)	(8.0)	(7.6)				(8.8)		(8.4)	
Non Operating Items Not Included In Pro-Forma Full Year Forecast:													
Transaction Costs	iii								9.9	9.9		9.9	
Restructure and Integration Costs	i								1.6	1.6		1.6	
Items Adjusted For Forecast - Statutory Basis:													
Synergy Savings Not Realised in FY18	i								4.6	4.6		4.6	
Borrowing Costs	ii								1.5	1.5		1.5	
Income Tax Expense									(2.6)	(8.9)		(9.6)	
Forecast - Statutory Basis													
Revenue	iv	121.0	126.0	6.7	38.3	38.8	-			166.0		171.5	
Operating Expenses		99.5	102.5	5.3	32.1	31.8	(0.4)			136.5		139.2	
EBITDA Before Transaction, Restructure and Integration Costs	iv	21.5	23.5	1.4	6.2	7.0	0.4			29.6		32.4	
Transaction, Restructure and Integration Costs	i,iii						11.6			11.6		11.6	
EBITDA	iv	21.5	23.5	1.4	6.2	7.0	(11.1)			18.0		20.8	
Depreciation & Amortisation		6.7	6.7	0.5	2.4	2.1	-			9.5		9.2	
EBIT		14.8	16.8	1.0	3.8	4.9	(11.1)			8.5		11.6	
Borrowing Costs							6.6			6.6		6.6	
Profit before Income Tax							(17.7)			1.9		5.0	
Income Tax Expense	v						(2.7)			3.0		3.9	
Consolidated Profit / (Loss)							(15.1)			(1.1)		1.1	
Parent Entity Profit	vi						-			7.0		8.5	

Notes:

- i The pro-forma adjustment to operating expenses relates to cost synergies as detailed in section 1.5. For FY18 being the period after the projected acquisition date it is projected that savings of A\$0.4m will be realised but restructure and integration costs will be A\$1.6m.
- ii ~~1—Capitol's Contribution to MergeCo excludes the results from the NSW businesses disposed of on 31 August 2017.~~ The assumptions to the borrowing costs are detailed in section 6.12 and are adjusted to the statutory basis to take account of actual expenses incurred plus the projected costs associated with current borrowings in the Combined Group, borrowings in respect to the acquisitions of Radiology Tasmania and I-rad, and the costs associated with the refinancing of Capitol's Unsecured Notes.
- iii The transaction costs are projected costs incurred by Capitol in respect to the acquisitions of Radiology Tasmania, I-rad and Integral.
- iv The range in Capitol's forecast revenue and EBITDA is as announced to its AGM and ASX on 22 November 2017.
- v Projected prima facie income tax expense is adjusted by A\$8.9m in transaction costs projected to be non deductible less Capitol deductions brought forward.
- vi ~~2—Operating Expenses excludes Depreciation, Amortisation and Interest.~~ The Parent Entity Profit is the projected maximum distributions receivable primarily from Capital Radiology Pty Ltd and its controlled entities from their FY18 profits. Capitol Bidco and its controlled entities have a consolidated loss from transaction, restructure and integration costs less post acquisition profits. Capitol Directors believe no impairment would exist at 30 June 2018 in respect to Capitol Bidco or its assets.

50.1% Relevant Interest Scenario

Year Ending 30 June 18									
COMBINED GROUP		Capitol		Radiology Tasmania and I-rad	Integral		Pro-Forma Adjust-ments	Combined Group Pro-Forma	
		Note	From		To	From		To	From
A\$'m									
Pro-Forma Full Year Forecast									
Revenue		112.4	117.4	18.1	188.3	190.8	-	318.8	326.3
Operating Expenses	i	92.2	95.2	14.0	150.1	151.8	(5.0)	251.3	256.0
EBITDA		20.2	22.2	4.1	38.2	39.0	5.0	67.5	70.3
Depreciation & Amortisation		6.3	6.3	1.3	10.4	9.7	-	18.0	17.3
EBIT		13.9	15.9	2.8	27.8	29.3	5.0	49.5	53.0
Borrowing Costs	ii						5.1	5.1	5.1
Profit before Income Tax							(0.1)	44.4	47.9
Income Tax Expense							(0.0)	11.8	13.5
Pro-forma Profit for the Year							(0.1)	32.6	34.4
Adjustments to Forecast - Statutory Basis									
Trading of Discontinued Operations Prior to Disposal Date									
Revenue		8.6	8.6					8.6	8.6
Operating Expenses		7.3	7.3					7.3	7.3
Depreciation & Amortisation		0.4	0.4					0.4	0.4
Transactions Occurring Prior to Projected Acquisition Dates									
Revenue				(11.4)	(150.0)	(152.0)		(161.4)	(163.4)
Operating Expenses				(8.7)	(118.0)	(120.0)		(126.7)	(128.7)
Depreciation & Amortisation				(0.8)	(8.0)	(7.6)		(8.8)	(8.4)
Non Operating Items Not Included In Pro-Forma Full Year Forecast:									
Transaction Costs	iii						9.9	9.9	9.9
Restructure and Integration Costs	i						1.6	1.6	1.6
Items Adjusted For Forecast - Statutory Basis:									
Synergy Savings Not Realised in FY18	i						4.6	4.6	4.6
Borrowing Costs	ii						1.5	1.5	1.5
Income Tax Expense							(2.6)	(8.9)	(9.6)
Forecast - Statutory Basis									
Revenue	iv	121.0	126.0	6.7	38.3	38.8	-	166.0	171.5
Operating Expenses		99.5	102.5	5.3	32.1	31.8	(0.4)	136.5	139.2
EBITDA Before Transaction, Restructure and Integration Costs	iv	21.5	23.5	1.4	6.2	7.0	0.4	29.6	32.4
Transaction, Restructure and Integration Costs	i,iii						11.6	11.6	11.6
EBITDA	iv	21.5	23.5	1.4	6.2	7.0	(11.1)	18.0	20.8
Depreciation & Amortisation		6.7	6.7	0.5	2.4	2.1	-	9.5	9.2
EBIT		14.8	16.8	1.0	3.8	4.9	(11.1)	8.5	11.6
Borrowing Costs							6.6	6.6	6.6
Profit before Income Tax							(17.7)	1.9	5.0
Income Tax Expense	v						(2.7)	3.0	3.9
Consolidated Profit / (Loss)							(15.1)	(1.1)	1.1
Parent Entity Profit	vi							7.0	8.5
Notes									
i	The pro-forma adjustment to operating expenses relates to cost synergies as detailed in section 1.5. For FY18 being the period after the projected acquisition date it is projected that savings of A\$0.4m will be realised but restructure and integration costs will be A\$1.6m.								
ii	The assumptions to the borrowing costs are detailed in section 6.12 and are adjusted to the statutory basis to take account of actual expenses incurred plus the projected costs associated with current borrowings in the Combined Group, borrowings in respect to the acquisitions of Radiology Tasmania and I-rad, and the costs associated with the refinancing of Capitol's Unsecured Notes.								
iii	The transaction costs are projected costs incurred by Capitol in respect to the acquisitions of Radiology Tasmania, I-rad and Integral.								
iv	The range in Capitol's forecast revenue and EBITDA is as announced to its AGM and ASX on 22 November 2017.								
v	Projected prima facie income tax expense is adjusted by A\$8.9m in transaction costs projected to be non deductible less Capitol deductions brought forward.								
vi	The Parent Entity Profit is the projected maximum distributions receivable primarily from Capital Radiology Pty Ltd and its controlled entities from their FY18 profits. Capitol Bidco and its controlled entities have a consolidated loss from transaction, restructure and integration costs less post acquisition profits. Capitol Directors believe no impairment would exist at 30 June 2018 in respect to Capital Bidco or its assets.								

Capitol FY18 Forecast – Sensitivity Analysis

The Capitol FY18 Forecast is based on a number of estimates and assumptions as set out in sections 6.11 and 6.12. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Capitol.

Integral Shareholders should be aware that future events cannot be predicted with certainty and, as a result, deviations from the figures forecast in this Bidder's Statement are to be expected.

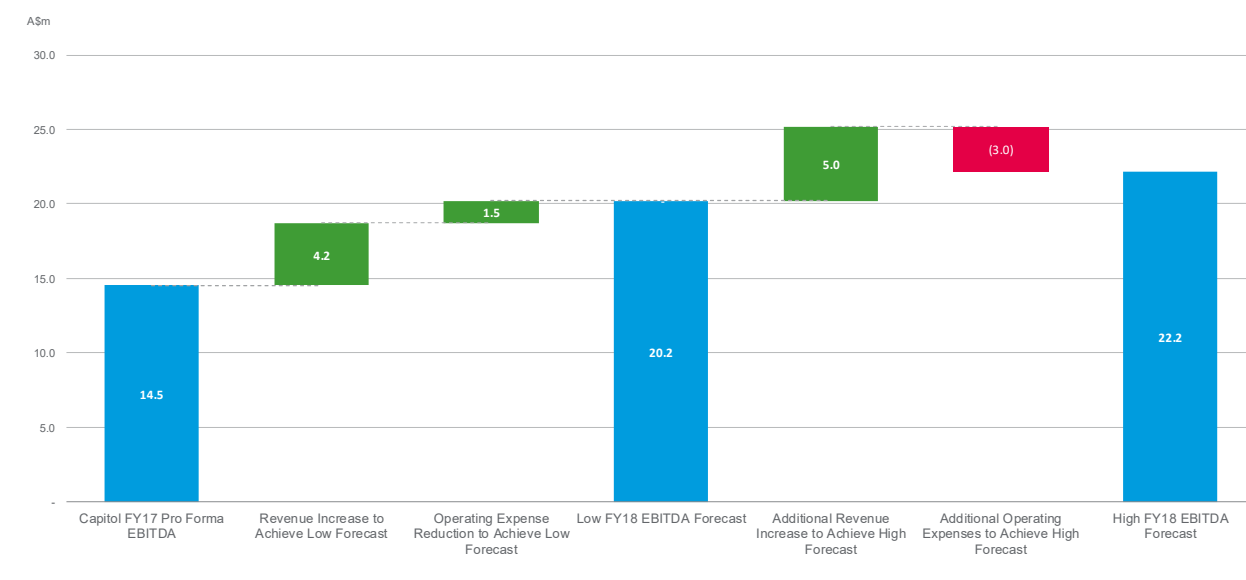
To assist Integral Shareholders in assessing the impact of these assumptions on the forecasts, set out below is a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key assumptions. The changes in the key assumptions as set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. For the purposes of the analysis below, the effect of the changes in key assumptions on Capitol's FY18 low and high pro forma forecast EBITDA of \$20.2 million to \$22.2 million is presented.

CAPITOLHEALTH LIMITED	Variance	Impact on FY2018 Pro Forma EBITDA			
		Low		High	
		Increase	Decrease	Increase	Decrease
Change in forecast revenue for the remainder of the financial year	+/- 2.5%	1.4	(1.4)	1.5	(1.5)
Change in forecast operating expenses for the remainder of the financial year	+/- 2.5%	(1.2)	1.2	(1.2)	1.2

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables in order to illustrate the likely impact on the forecast. In practice, changes in variables may offset each other or be additive, and it is likely that Capitol management would respond to any adverse change in one variable by seeking to minimise the net effect on Capitol's EBITDA.

Capitol FY17 Pro Forma EBITDA to Capitol FY18 Forecast EBITDA Bridge

The chart below sets out the movement between Capitol's FY17 Pro Forma EBITDA to Capitol's FY18 Forecast EBITDA.



(a)(b) Pro-forma forecast and statutory forecast financial ratios

The table below sets out key pro-forma forecast debt covenant and statutory forecast financial ratios of the Combined Group based on the pro-forma financial information set out above.

100% Relevant Interest Scenario

Note	Ratios
------	--------

COMBINED GROUP

From	To
------	----

As Per Pro-Forma FY18 Forecast

Net Leverage Ratio (Net Debt to EBITDA)	1 _i	1.49 1.52	times	1.56 1.58	times
Interest cover Cover Ratio	2 _{ii}	13.13 13.29	times	13.72 13.84	times

As Per Statutory FY18 Forecast

Net Leverage Ratio (Net Debt to EBITDA ^{iv})	i, iii	1.62	times	1.70	times
Interest Cover Ratio ^{iv}	ii, iii	9.51	times	9.99	times

Notes:

- i ~~1~~–[Net](#) Debt to EBITDA ratio [is](#) calculated ~~as on~~ pro-forma Net Debt of the Combined Group at 30 June 2017 ~~(\$100.4m)~~ adjusted to include estimated bank guarantees [of the Combined Group](#) (based on current bank guarantees of Capitol plus bank guarantees disclosed in the ~~30 June 2017 annual report of Integral~~) ~~of the Combined Group of \$2.7 million~~ [2017 Annual Report](#)) divided by ~~pro-forma~~[FY18](#) forecast EBITDA of the Combined Group ~~for the year ending 30 June 2018~~.
- ii ~~2~~– Interest ~~cover~~[Cover](#) ratio [is](#) calculated as ~~pro-forma~~[FY18](#) forecast EBITDA of the Combined Group ~~for the year ending 30 June 2018~~ divided by ~~pro-forma~~[FY18](#) forecast borrowing costs of the Combined Group ~~for the year ending 30 June 2018~~.
- iii [Under Capitol's existing Secured Bank facility EBITDA is effectively defined as EBITDA adjusted by transaction costs and individual significant and non recurring items, less EBITDA attributable to disposed operations plus EBITDA attributable to acquired operations prior to the date of acquisition.](#)
- iv [Capitol's 2017 Annual Report states that its existing financial covenants are that the Net Leverage Ratio be less than or equal to 2.5 and Interest Cover Ratio be greater than or equal to 2.5.](#)

50.1% Relevant Interest Scenario

COMBINED GROUP	Note	Ratios	
		From	To
As Per Pro-Forma FY18 Forecast			
Net Leverage Ratio (Net Debt to EBITDA)	i	1.52 times	1.58 times
Interest Cover Ratio	ii	13.29 times	13.84 times
As Per Statutory FY18 Forecast			
Net Leverage Ratio (Net Debt to EBITDA ^{iv})	i, iii	1.23 times	1.29 times
Interest Cover Ratio ^{iv}	ii, iii	12.58 times	13.41 times
Notes:			
i - iv As per 100% relevant interest scenario notes			

The above ratios are well within the ~~debt~~ [financial](#) covenants of the Capitol Group's current borrowing facilities [in both scenarios](#).

6.10 Basis of preparation of the pro-forma and statutory forecast financial information and underlying assumptions (both scenarios)

The pro-forma forecast financial information of the Combined Group included in this Bidder's Statement is included to illustrate the forecast normalised annual earnings of the Combined Group following the completion of the Offer for each of the scenarios presented (100% relevant interest and 50.1% relevant interest). Capitol Bidco considers that pro-forma forecast financial information is useful to include in this Bidder's Statement on the basis that it provides information on the annualised prospective results of the Combined Group in which Integral Shareholders will have an interest following completion of the Offer.

The pro-forma and statutory forecast financial information of the Combined Group included in this Bidder's Statement is based on various specific and general assumptions concerning future events including those set out below. These assumptions should be read in conjunction with the risk factors set out in section 6.9 of this Bidder's Statement.

Capitol Bidco, in preparing the pro-forma and statutory forecast financial information of the Combined Group for the financial year ending 30 June 2018, has:

- undertaken an analysis of historical performance and applied assumptions where appropriate in order to forecast future performance of existing operations of Capitol;
- relied on publicly available information regarding Integral including recent market estimates ~~and Integrals' 2017 Annual Report~~. In relation to the recent market estimates relating to Integral it should be noted that:
 - four ~~three~~ broker reports have been utilised. These broker reports were selected on the basis that they have been published since the date of Integral's ~~2017 AGM announcement of its results for the six months ended 31 December 2017~~;
 - the range of forecasts within those broker reports have been utilised. Capitol Bidco considers that the use of the range of forecasts provided in those broker forecasts is of more use to a user of ~~the~~ this Bidder's Statement than the utilisation of an average for the following reasons:
 - the range is considered to be small enough to give meaningful information about Integral's prospects; and
 - it reduces the risk of reliance by the users of ~~the~~ this Bidder's Statement on a single point estimate;
- the range of forecasts from these broker reports has been taken at the revenue, EBITDA, EBIT, profit before income tax and profit after income tax levels, with the associated expenditure in between these levels presented in section 6.9 being calculated accordingly;
- to the extent of Capitol Bidco's knowledge, no broker reports in relation to Integral issued since the date of Integral's ~~2017 AGM announcement of its results for the six months ended 31 December 2017~~ have been excluded from the preparation of the pro-forma or statutory financial forecasts; and
- used various sources of financial information in relation to the businesses in the process of being acquired by Capitol during the period of 1 July 2017 and the date of this Bidder's Statement, namely, Radiology Tasmania and I-rad.

Capitol Bidco believes that it has prepared the pro-forma and statutory forecast financial information of Combined Group with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Bidder's Statement. Actual results

are likely to vary from ~~that forecast~~ [such information](#) and any variation may be materially positive or negative. The assumptions upon which the pro-forma [and statutory](#) forecast financial information is based are by their nature subject to significant uncertainties and contingencies many of which are outside the control of Capitol Bidco, Capitol and their directors and are not reliably predictable. Events and outcomes might differ in amount and timing from the assumptions with a material consequential impact on the forecast financial information.

Accordingly, ~~none~~ of Capitol, Capitol Bidco or their respective directors or any other person can give any assurance that the pro-forma [and statutory](#) forecast financial ~~information~~ [information](#) of the Combined Group or any prospective statement contained in this Bidder's Statement will be achieved.

The pro-forma [and statutory](#) forecast financial information of the Combined Group has been prepared based on the key accounting policies adopted by Capitol which are in accordance with the Australian Accounting Standards / International Financial Reporting Standards and are disclosed in Capitol's 2017 Annual Report.

6.11 General assumptions [\(both scenarios\)](#)

In preparing the pro-forma [and statutory](#) forecast financial information of the Combined Group, the following general assumptions have been adopted:

- no material change in Medicare bulk billing rates nor the referral patterns of the Combined Group's Referrers;
- no material changes in key personnel, including key management personnel and doctors of the Combined Group, and the Combined Group maintains its ability to recruit and retain the personnel required to support future growth;
- no material change in applicable Australian Accounting Standards / International Financial Reporting Standards or other mandatory professional reporting requirements of the Corporations Act which have a material effect on the Combined Group's financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of Capitol during the forecast period;
- no changes in tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of the Combined Group;
- the Offer proceeds in accordance with the timetable set out in this Bidder's Statement;
- no material amendment or termination of any material contract, agreement or arrangement or material change in licences and licence providers relating to the Combined Group;
- no material adverse impact in relation to litigation or claims (existing or otherwise);
- no material impairment of intangible assets;
- no material acquisitions, divestments, restructuring or investments (other than as set out in this Bidder's Statement); and
- none of the key risks listed in section 9 occurs or if they do occur none of them has a material adverse impact on the operations of the Combined Group.

6.12 Specific assumptions

The basis of the specific assumptions that have been used in the preparation of the pro-forma [and statutory](#) forecast financial information of the Combined Group is set out below.

[Pro-forma forecast financial information](#)

Specific Business Operations (both scenarios)

The pro-forma forecast financial information of the Combined Group is based on the full year contributions from:

- existing Capitol operations; and
- operations of Integral, and other businesses in the process of being acquired by Capitol during the period from 1 July 2017 to the date of this Bidder's Statement, namely Radiology Tasmania ~~Pty Limited~~ and the business of I-rad ~~Sunshine~~,

and excludes any contributions from the NSW radiology businesses which were sold on 31 August 2017, ~~and~~ forecast ~~one-off~~ transaction ~~costs~~, restructure and integration costs which will be recognised as expenses within the profit and loss of the Combined Group as incurred.

Accordingly, the pro-forma forecast financial information of the Combined Group will not be consistent to the preparation of Capitol's FY18 Annual Report which will:

- exclude the contributions prior to the respective acquisition ~~date~~ dates of Integral and any other ~~business~~ businesses acquired by Capitol during FY18;
- include a proportion of the annual forecast synergy savings as these synergy savings will be progressively realised following completion of the Offer. Capitol anticipates that there will not be a significant amount of the annual forecast synergy savings realised and reported within the FY18 results;
- include the contributions of the NSW radiology businesses for the ~~2~~ two months to 31 August 2017; and
- include ~~one-off~~ transaction ~~costs~~, restructure and integration costs incurred during the year.

~~Capitol Bidco considers that presenting pro-forma forecast financial information in this Bidder's Statement is of more use to Integral Shareholders than presenting preparing forecast financial information on a statutory basis as it provides information on the annualised prospective results of the Combined Group in which Integral Shareholders will have an interest following completion of the Offer.~~

Revenue

Revenue (both scenarios)

Revenue in the pro-forma forecast financial information of the Combined Group is based on:

- existing Capitol operations incorporating actual revenue to ~~30 November~~ 31 December 2017 and forecast revenue for the ~~7~~ six months ending 30 June 2018. The FY18 forecast revenue represents an increase of between ~~2.32.8~~ 2.32.8% and ~~7.07.4~~ 7.07.4% over FY17 revenue for the bottom and top of the range. This range of increases does not take account of forecast revenues for new clinic openings or revenues from the NSW radiology businesses disposed ~~in August 2017~~ of in August 2017. Whilst the above assumptions together with the operating expense assumptions for Capitol set out below result in EBITDA growth for Capitol operations of between 39% and 52% compared to FY17 EBITDA, Capitol Bidco considers these assumptions are reasonable, having had regard to the comparison of actual results of Capitol operations to 31 December 2017 to the same period in FY17;
- the range of broker estimates for Integral. The bottom and the top of the range of broker estimates represents annual growth in revenue of ~~4.15.3~~ 4.15.3% and ~~7.46.7~~ 7.46.7% compared to Integral's reported revenue for FY17; and

- forecast revenue for Radiology Tasmania ~~Pty Limited~~ and the business of I-rad ~~Sunshine~~, incorporates actual results to 31 October 2017 and 30 September 2017, respectively and is based on applying the percentage change in revenue year on year in the actual period over the remainder of the forecast period, adjusted where relevant for the impact of new competitors.

Operating expenses (both scenarios)

Operating expenses in the pro-forma forecast financial information of the Combined Group ~~is~~ are based on:

- existing Capitol operations incorporating actual operating expenditure to ~~30 November~~ 31 December 2017 and forecast operating expenditure for the ~~7~~ six months ending 30 June 2018. The FY18 forecast operating expenditure represents a decrease of between 3% to 0% over FY17 operating expenditure for the bottom and top of the range. This range of decreases does not take account of forecast expenses for new clinic openings, ~~one-off~~ transaction ~~costs~~, restructure and integration costs incurred or expenses from the NSW radiology businesses disposed in August 2017;
- range of broker estimates for Integral. The bottom and the top of the range of broker estimates represents annual growth in operating expenses of 2.6% and ~~6.0~~ 3.8% compared to Integral's reported operating expenditure for FY17;
- forecast operating expenses for Radiology Tasmania ~~Pty Limited~~ and the business of I-rad ~~Sunshine~~, incorporates actual results to 31 October 2017 and 30 September 2017, respectively and is based on ~~the~~ applying the percentage change in operating expenses year on year in the actual period over the remainder of the forecast period, adjusted where relevant for the impact of new competitors; ~~and~~ .

~~assumed~~ In addition to the above assumptions in relation to operating expenses the 100% relevant interest scenario assumes annual pre-tax cost synergies of A\$5 million per annum. No cost synergies have been assumed in the 50.1% scenario on the basis that Integral would continue to operate as a separate ASX listed entity (refer section 5.4).

~~One-off Acquisition, Restructure and Integration Costs~~

~~The pro-forma forecast financial information of the Combined Group excludes one-off acquisition, restructure and integration costs that may occur as a result of the Offer, on the basis that the pro-forma forecast financial information included in this Bidder's Statement is presented to illustrate the forecast normalised annual earnings of the Combined Group following the completion of the Offer.~~

Depreciation and Amortisation (both scenarios)

Depreciation and amortisation in the pro-forma forecast financial information of the Combined Group is based on:

- existing Capitol operations based on actual depreciation and amortisation to ~~30 November~~ 31 December 2017 plus amounts attributable to capital expenditure for the remainder of FY18 including new clinics less depreciation and amortisation from the NSW radiology businesses;
- range of broker estimates for Integral; and
- forecast depreciation for Radiology Tasmania ~~Pty Limited~~ and the business of I-rad ~~Sunshine~~ incorporates actual results to 31 October 2017 and 30 September 2017, respectively and assumed forecast depreciation and amortisation will remain consistent month on month.

~~Interest~~Borrowing Costs

100% relevant interest

~~Interest~~ Borrowing costs in the pro-forma forecast financial information of the Combined Group ~~is~~ are based on the estimated annualised interest costs of the Combined Group based on the total estimated debt of the Combined Group ~~following completion of the above transactions, and based on current borrowing rates and Capitol's current bank facilities after taking account of:~~ following completion of the Offer and the acquisitions of Radiology Tasmania and I-rad based on current borrowing rates and Capitol's current bank facilities and taking into account the re-financing of Capitol's Unsecured Notes of A\$48.3 million in May 2018 being the date of the first opportunity to do so.

The funding of the cash component of the Offer consideration for Integral Shares in the amount A\$52.3 million and Capitol Bidco's transaction costs associated with the acquisition of Integral, Radiology Tasmania and I-rad of A\$9.9 million will all be sourced by Capitol's cash reserves (as detailed in section 7.2) and accordingly does not impact borrowing costs.

50.1% relevant interest

Borrowing costs in the pro-forma forecast financial information of the Combined Group are based on:

- the estimated annualised borrowing costs of Capitol based on the total estimated debt of Capitol following completion of the above transactions, and based on current borrowing rates and Capitol's current bank facilities after taking account of:
 - funding the acquisition of I-rad which completed on 22 January 2018;
 - funding of the remaining balance due on the acquisition of Radiology Tasmania;
 - forecast interest on financial leases with Radiology Tasmania and I-rad; and
 - the re-financing of Capitol's Unsecured Notes of A\$48.3 million in May 2018 being the date of the first opportunity to do so; and
- range of broker estimates for Integral.

The funding of the cash component of the Offer consideration for Integral Shares in the amount A\$26.2 million and Capitol Bidco's transaction costs associated with the acquisition of Integral, Radiology Tasmania and I-rad of A\$9.9 million will all be sourced by Capitol's cash reserves (as detailed in section 7.2) and accordingly does not impact borrowing costs.

- ~~funding of the cash component of the proposed acquisition price of A\$52.6 million;~~
- ~~funding of Capitol's transaction costs associated with the acquisition of Integral, Radiology Tasmania and I-rad of \$8.6 million; and~~
- ~~The re-financing of Capitol's Unsecured Notes of \$48.3 million in May 2018 being the date of the first opportunity to do so.~~

Income ~~tax~~ Tax Expense (both scenarios)

Income tax in the pro-forma forecast financial information ~~of the Combined Group~~ is based on ~~the statutory rate of 30% on projected operating profit before tax adjusted for known carried forward tax differences of Capitol.~~

- Capitol's forecast net profit before income tax at the statutory income tax rate of 30% adjusted for forecast non-deductible nature of certain transaction costs and carried forward deferred deductions;
- average tax rates on the range of broker estimates for Integral; and

- the statutory income tax rate of 30% on the forecast net profit before income tax for Radiology Tasmania and I-rad.

Adjustments to statutory forecast financial information

Specific assumptions that have been used to forecast adjustments to the pro-forma forecast financial information to prepare statutory forecast financial information of the Combined Group are set out below.

Timing of completion of Integral acquisition and calculation of post-acquisition Integral contribution

The completion of the Offer has been based on an estimated completion date of 16 April 2018 based on Capitol Bidco's best estimate.

It should be noted that the actual completion date will likely vary as it is dependent on a number of factors, and to the extent the Offer is completed either earlier or later than the estimated completion date, the contribution of Integral to the statutory results of the Combined Group will increase or decrease accordingly.

The post-acquisition contribution of Integral to the Combined Group has been calculated on a pro-rata basis based on the broker's annual forecasts as follows:

- the number of working days in relation to revenue; and
- the number of days in relation to operating expenses and depreciation and amortisation.

Timing of completion of Radiology Tasmania and I-rad acquisitions and calculation of post-acquisition contributions of Radiology Tasmania and I-rad

The acquisition of I-rad completed on 22 January 2018 and the completion of the acquisition of Radiology Tasmania has been based on estimated completion date of 2 February 2018.

The above completion date for Radiology Tasmania has been based on Capitol Bidco's best estimate having regard to the current status of the transaction. The post-acquisition contribution of Radiology Tasmania and I-rad has been forecast based on the monthly forecasts of each business.

Acquisition Costs (both scenarios)

Forecast transaction costs have been forecast at A\$9.9 million based on:

- the advisory agreements in place in relation to the Offer and the acquisitions of Radiology Tasmania and I-rad;
- establishment fees in respect to the NAB Commitment Letter as detailed in section 9.3(d); and
- other forecast expenses likely to be incurred to complete all acquisitions.

The total forecast cost includes GST where Capitol is expected not to be able to claim GST credits.

Synergy Savings and Restructure and Integration Costs (100% scenario Only)

Synergy savings and restructure and integration costs have been based on Capitol Bidco's best estimate on the relevant identified synergies for the period from 16 April 2018 to 30 June 2018 based on publicly available information and Capitol BidCo's best estimates. Refer to section 1.5 of this bidder's statement for more information on forecast synergy savings.

Borrowing Costs

Both scenarios

Borrowing costs in the statutory forecast financial information of the Combined Group is based on:

- the actual interest costs of Capitol for the six months ended 31 December 2017 and the forecast borrowing costs of the estimated annualised borrowing costs of Capitol based on current borrowing rates and Capitol's current bank facilities after taking account of:
 - funding the acquisition of I-rad which completed on 22 January 2018;
 - funding of the remaining balance due on the acquisition of Radiology Tasmania;
 - forecast interest on financial leases with Radiology Tasmania and I-rad; and
 - the re-financing of Capitol's Unsecured Notes of A\$48.3 million in May 2018 being the date of the first opportunity to do so; and
- range of broker estimates for Integral.

The funding of the cash component of the Offer consideration for Integral Shares in the amount A\$52.3 million and Capitol Bidco's transaction costs associated with the acquisition of Integral, Radiology Tasmania and I-rad of A\$9.9 million will all be sourced by Capitol's cash reserves (as detailed in section 7.2) and accordingly does not impact borrowing costs.

Income Tax Expense (both scenarios)

The assumptions used to calculate forecast income tax in the statutory forecast financial information are identical to those used in calculating the pro-forma forecast financial information.

6.13 Disclaimer

The financial information presented in this section 6 in relation to Integral has been prepared by Capitol Bidco using publicly available information that has not been independently verified, or provided by or on behalf of Integral.

Capitol Bidco has relied on the information in the audited full year financial report for the periods ended 30 June 2017, 30 June 2016 and 30 June 2015, issued by Integral and lodged with ASIC to prepare the financial information in relation to Integral contained in this Bidder's Statement. Information relating to Integral has also been sourced from details shown on Integral's website. Capitol Bidco has also relied on forecasts for Integral in ~~three~~four broker reports.

Accordingly, Capitol Bidco does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information. It is expected that Integral will release financial information in its Target Statement that will be sent to Integral Shareholders and made publicly available. The financial information regarding Capitol, Integral and Combined Group in this Bidder's Statement should not be regarded as comprehensive.

6.14 Investigating Accountant's Report

Attached at Annexure B to this Bidder's Statement is an Investigating Accountant's Report prepared by RSM Corporate Australia Pty Ltd. The Investigating Accountant's Report is a review report of the following financial information contained in this Bidder's Statement:

- the historical financial information of Capitol in section 2.6;
- the historical financial information of Integral in section 4.10;
- the historical and pro forma historical financial information included in section 6.7; and
- the forecast, pro forma forecast and statutory forecast financial information included in section 6.9.

[Integral Shareholders should carefully read the Investigating Accountant's Report.](#)

7 Sources of Consideration

7.1 Consideration under the Offer

Consideration for the acquisition of the Integral Shares to which the Offer relates will be satisfied by the payment of cash (in Australian dollars) and the issue of new Capitol Shares.

Based on the number of Integral Shares on issue as at the date of this Bidder's Statement, and assuming that:

- (a) acceptances are received by Capitol Bidco in respect of all of the Integral Shares on issue as at the date of this Bidder's Statement; and
- (b) all of the Integral Options are exercised [and all of the Integral Performance Rights vest](#), and the holder(s) of such Integral Options [and Integral Performance Rights](#) accept the Offer,

then:

- (c) the maximum number of Capitol Shares that Capitol would be required to ~~be~~ issue under the Offer, if acceptances are received for all of the Integral Shares, is ~~1,000,804,683~~ [1,003,306,520](#) Capitol Shares (subject to rounding under section 11.1(d)); and
- (d) the maximum amount of cash that Capitol Bidco would be required to pay under the Offer is approximately ~~A\$52,215,897~~ [A\\$52,346,427](#).

(together, the **Offer Amount**).

7.2 Funding of the Offer Amount

- (a) Cash component of the Offer Amount

Capitol [has unconditionally committed to Capitol Bidco that Capitol](#) will fund ~~at the direction of Capitol Bidco and on demand~~, the cash component of the Offer Amount, and ~~its-the~~ transaction costs [of Capitol and Capitol Bidco](#), from existing cash reserves ~~(which of Capitol. As~~ at the date of this Bidder's Statement ~~is~~, [Capitol's cash reserves are](#) approximately ~~A\$87-A\$85~~ million ~~and which~~. [These cash reserves](#) are immediately available and not subject to security interests, rights of set-off or other arrangements~~).~~

[In addition to cash reserves, Capitol has access to secured bank loan and bank overdraft facilities with National Australia Bank that total A\\$35 million. As at the date of this Bidder's Statement, A\\$2.7 million has been drawn down to fund the balance of the fixed upfront payment which was payable in respect of the acquisition of I-rad at settlement and A\\$644,000 has been drawn down to pay out some equipment finance that was assumed as part of the acquisition of I-rad. Capitol may further draw down on these facilities at any time for general corporate purposes or permitted acquisitions subject to completing procedural processes and satisfying conditions precedent. Further information on these facilities is contained in Capitol's 2017 Annual Report. Capitol intends to draw down a further approximately A\\$23.6 million on these facilities for the purposes of funding the acquisition of Radiology Tasmania and any further amounts that may be payable in respect of the acquisition of I-rad and the conditions precedent to such draw down under the terms of the facilities have been satisfied.](#)

[As at the date of this Bidder's Statement](#), Capitol Bidco is not aware of any reason why ~~it~~ [Capitol](#) would not be able to maintain a level of cash reserves on terms that are sufficient ~~for Capitol Bidco~~ to pay the maximum amount of cash that ~~it~~ [Capitol Bidco](#) may be

required to pay under the terms of the Offer, ~~in addition to its commitment to affect the capital management activities described in section 2.5(e).~~

Capitol as part of its ongoing review of its capital management plan:

- = may terminate the current Share Buyback Scheme in the event that the Offer is successful; and
- = intends to pay an interim dividend for FY18 regardless of whether the Offer is successful.

(b) Capitol Share component of the Offer Amount

Capitol has unconditionally committed to Capitol Bidco that Capitol will issue, at the direction of Capitol Bidco and on demand, the Capitol Shares necessary to satisfy the Capitol Share component of the Offer Amount. As at the date of this Bidder's Statement, Capitol Bidco is not aware of any reason why Capitol would not be able to issue the maximum number of Capitol Shares that may be required to ~~issue~~ be issued under the terms of the Offer.

(c) Provision of Offer Amount

On the basis of the arrangements described in this section 7, Capitol Bidco considers that it has reasonable grounds to believe, and does believe, that it will be able to provide ~~, or~~ procure the provision of, the Offer Amount in sufficient time to enable Capitol Bidco to discharge its obligations to Integral Shareholders under the terms of the Offer.

8 Australian Tax Considerations

8.1 Introduction

The following is a general description of the Australian income and capital gains tax consequences for the Integral Shareholders if they are to accept the Offer and to acquire, own and dispose of Capitol Shares. The comments set out below are relevant only to those Integral Shareholders who hold their Integral Shares on capital account and not as either revenue assets or trading stock for Australian tax purposes.

Integral Shareholders who are not Australian tax residents should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of acceptance of the Offer and of the acquisition, ownership and disposal of Capitol Shares.

The following description is based on the Australian tax law in effect at the date of this Bidder's Statement, but it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every Integral Shareholder. Integral Shareholders should seek independent professional advice that takes into consideration their own particular circumstances.

8.2 Australian resident Integral Shareholders

(a) Capital gain or loss

Acceptance of the Offer will involve the exchange of each Integral Share for 6.9 Capitol Shares (**Capitol Share Consideration**) and cash consideration of A\$0.36. The change in the ownership of the Integral Shares will constitute a capital gains tax (**CGT**) event. An Integral Shareholder who chooses to apply a CGT rollover where it is applicable can disregard any CGT to the extent of the Capitol Share Consideration but not to the extent of the cash consideration received (see section 8.2(b) below).

Integral Shareholders who are Australian tax residents will make a capital gain if the capital proceeds from the disposal of their Integral Shares are more than their cost base

or will make a capital loss if the capital proceeds from the disposal of their Integral Shares are less than their reduced cost base.

Capital proceeds

The capital proceeds of the CGT event will be the aggregate of the market value of the Capitol Share Consideration and the cash consideration. The market value of the Capitol Share Consideration will be the value of the Capitol Share Consideration as at the date of entry into the contract for the disposal of the Integral Shares.

Cost base calculation

The cost base of the Integral Shares will generally be their cost of acquisition plus any incidental costs incurred on their acquisition.

Discount capital gains

Integral Shareholders who are individuals, complying superannuation funds or the trustee of a trust can discount the amount of their capital gain from the disposal of their Integral Shares by 50% in the case of individuals and trusts or by 33 1/3% for complying superannuation entities, provided they have held their Integral Shares for more than 12 months before the date on which they accept the Offer.

Net capital gain or loss

Capital gains are reduced by capital losses (both current year and prior year). Any remaining discount capital gains are then reduced by the applicable CGT discount percentage to arrive at the net capital gain. If there is a net capital gain, that amount is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains.

(b) Partial CGT Roll-over Relief for Integral Shareholders

~~The Offer is conditional on~~ If Capitol obtaining a relevant interest in obtains at least 80% of the Integral Shares ~~of at least 90%. If the Offer becomes unconditional,~~ those Integral Shareholders who would otherwise make a capital gain in respect of the disposal of their Integral Shares may choose to obtain scrip for scrip roll-over relief under subdivision 124-M of the *Income Tax Assessment Act 1997* (Cth). CGT roll-over is available only on the Capitol Share Consideration provided a capital gain would otherwise have been realised on the CGT event.

CGT roll-over is not available for an Integral Shareholder:

- who will realise a capital loss on the disposal of their Integral Shares;~~or~~
- in respect of the cash consideration received~~;~~ or
- if Capitol obtains less than 80% of the Integral Shares.

The CGT cost base (or reduced cost base) of the Integral Shares will need to be reasonably apportioned between the Capitol Share Consideration and the cash consideration. A reasonable attribution of the cost base to the cash consideration can be arrived at by dividing the cash consideration by the total consideration (i.e. the aggregate of the Capitol Share Consideration and the cash consideration). The difference between the cash consideration and the (reduced) cost base of the Integral Shares reasonably attributed to the cash consideration will be the capital gain or loss realised on the Integral Shares.

The CGT roll-over provisions provide that the portion of the capital gain on the disposal of the Integral Shares that is attributable to the Capitol Share Consideration will be deferred until the ultimate disposal of the Capitol Shares.

(c) Disposal of Capitol Shares

The Australian CGT consequences of any future disposal of Capitol Shares will be the same as for the disposal of the Integral Shares as described above, subject to the following differences in the case of an Integral Shareholder who chooses to obtain the CGT roll-over relief.

For those Integral Shareholders who choose to obtain a CGT roll-over, the cost base of the Capitol Shares will be equal to a reasonably attributable portion of the cost base of their Integral Shares. A reasonable attribution of the cost base for this purpose can be arrived at by dividing the Capitol Share Consideration by the total consideration (i.e. the aggregate of the Capitol Share Consideration and the cash consideration).

Integral Shareholders who are individuals, complying superannuation funds or trustees may determine their compliance with the 12-month ownership requirement for discount CGT treatment by reference to the period of time from the acquisition of their Integral Shares until their disposal of the Capitol Shares received as the Capitol Share Consideration. Provided the Integral Shareholder chooses the CGT roll-over relief (or partial rollover relief), the CGT discount may be applied where the combined ownership period of the Integral Shares and the Capitol Shares received as the Capitol Share Consideration is equal to or greater than 12 months.

A discount CGT treatment may also be available to an Integral Shareholder who does not choose to obtain the CGT roll-over relief for the exchange of their Integral Shares for Capitol Shares but whose ownership period equals or exceeds 12 months from the commencement date of acquiring the Capitol Shares.

8.3 Non-Australian resident Integral Shareholders

A non-Australian tax resident Shareholder who holds Integral Shares on capital account will generally not be subject to CGT on the disposal of their Integral Shares unless:

- the Integral Shareholder (and their associates) owned at least 10% of Integral Shares on issue either at the time they sold their Integral Shares or for at least 12 months during the 24 months before selling their Integral Shares; and
- more than 50% of the value of Integral is represented by real property in Australia.

If a non-Australian resident is subject to CGT on the disposal of their Integral Shares, scrip roll-over relief may be available in some circumstances – see section 8.2(b). Alternatively, there may be relief provided by the double tax treaty of the holder's resident country from Australia tax pursuant to the terms of the treaty.

8.4 ~~Stamp duty and~~ GST

~~(a) GST~~

No GST will arise for Integral Shareholders in respect of any supply arising from the Offer.

~~(b) Stamp Duty~~

~~There are no stamp duty implications for the Integral Shareholders arising from the Offer.~~

9 Risk Factors

9.1 Overview

In deciding whether or not to accept the Offer, you should read this entire Bidder's Statement carefully. You should also carefully consider the risk factors outlined in this section 9 and your personal circumstances. This section 9 is general only and does not take into account your individual objectives, financial situation or needs.

If the Offer becomes unconditional, Integral Shareholders who accept the Offer (other than Ineligible Foreign Shareholders and Unmarketable Parcel Holders) will become Capitol Shareholders.

A number of risks and uncertainties, which are both specific to Capitol and of a more general nature, may affect the future operating and financial performance of Capitol and the value of Capitol Shares.

This section 9 outlines the:

- (a) specific risks that are common to the existing businesses of Capitol and Integral, and which will therefore be risks to which the Combined Group will be exposed (see section 9.2);
- (b) risks that arise from the Offer (see section 9.3); and
- (c) general investment risks (see section 9.4).

Many of these risks are outside the control of Capitol and Integral. Although the Combined Group will have in place a number of strategies to minimise exposure to, and mitigate the effects of, some of the risks outlined in this section 9, there can be no guarantee that such arrangements will protect the Combined Group from these risks.

9.2 Risks relating to the Combined Group

- (a) Regulatory risk

The diagnostic imaging industry is subject to laws, government policies and regulations relating to, among other things:

- (i) the conduct of operations;
- (ii) Commonwealth Government initiatives that promote private health insurance and encourage health fund membership, including health insurance rebate and lifetime health cover;
- (iii) the Medicare regime, including any reduction in Medicare rebates for diagnostic imaging;
- (iv) policy direction changes to State-owned public hospitals, which encourage public hospitals to compete with private hospitals for patients, and also compete with private diagnostic imaging providers;
- (v) the licensing, registration and accreditation of facilities and equipment; and
- (vi) the addition and development of new facilities and equipment.

Changes to these laws, government policies and regulations, and any other laws, government policies and regulations that may apply to the Combined Group from time to time, could have a material adverse impact on the financial and operational performance of the Combined Group, including but not limited to changes to initiatives that promoted private health insurance, changes to regulations relating to private health insurance funds, changes to hospital licensing policy, changes to medical negligence legislation,

and changes to public hospital policy that may encourage patients to sue public facilities instead of private facilities.

(b) Changes to Medicare rebates

The eligibility for, and level of, Commonwealth Government rebates for diagnostic imaging services depends on a number of factors, including the nature of the service, where the service is provided, to whom the service is provided, the Referrer and the equipment used to provide the service.

The MBS fee applicable to each diagnostic imaging service eligible for Medicare (and therefore the applicable Medicare rebate, which is a percentage of this fee) has been affected over a number of years by Commonwealth Government budgetary considerations, and does not bear any reliable relationship to either the unit cost or market value of the service. Further, movements in the cost of providing diagnostic imaging services are not reliably reflected in changes to the relevant MBS fee. This means MBS fees for diagnostic imaging services have been reducing in real terms for more than a decade, as a result of lack of indexation by the Commonwealth Government (unlike many other health segments, which are indexed annually). Over this period, the prices charged by diagnostic imaging service providers for services that are not bulk-billed have been increasing, as a result of rising costs. This has caused patient out-of-pocket expenses to increase, and may also lead to erosion of the Combined Group's competitive position if competitors choose to price at or closer to the rebate amounts, in order to gain a greater market share.

In the future, non-indexation of MBS fees for diagnostic imaging services by the Commonwealth Government, or a reduction in MBS fee levels, could reduce the level of patient rebates. In turn, this would lead to an increase in out-of-pocket costs incurred by patients in obtaining diagnostic imaging services from companies like the Combined Group. If patient out-of-pocket expenses continue to rise, this may adversely affect the affordability and demand for the Combined Group's services, which may negatively impact the Combined Group's ability to sustain current prices, growth and services and/or its financial position and prospects. These pressures may have been reduced by the 2017 Commonwealth Government Budget, in which the formerly proposed reductions to the bulk-billing incentive program were abandoned.

(c) Changes to eligibility criteria for equipment rebates

Specific and detailed equipment eligibility criteria, known as 'capital sensitivity', govern the level of rebates available in respect of diagnostic imaging services that will be provided by the Combined Group. Changes to capital sensitivity rules could result in the Combined Group having to refurbish current diagnostic imaging equipment or acquire new equipment earlier than intended in order for patients to be eligible for higher level of rebates from diagnostic imaging services provided by the relevant equipment, failing which the Combined Group's patients would face increased out-of-pocket expenses. This could reduce the demand for the Combined Group's diagnostic imaging services and erode its competitive position, which is likely to have a material adverse effect on the Combined Group's financial position, performance and prospects.

(d) Recruitment and retention of key management personnel

The successful operation of the Combined Group's business will rely on its ability to recruit and retain experienced and high-performing key management and operating personnel. There is significant competition to recruit these personnel, which can lead to increased labour costs. The unexpected loss of any key members of management or operating personnel, or the inability on the part of the Combined Group to attract

experienced personnel, may adversely affect its ability to develop and implement its business strategies.

(e) Recruitment and retention of radiologists and technical professionals

The Combined Group will rely on radiologists to provide the core medical services associated with diagnostic imaging. There have been shortages of qualified radiologists, particularly in some of the regional markets that Capitol and Integral operate in. Failure to recruit and retain a sufficient number of radiologists, and align the interests of such radiologists with those of the Combined Group, could result in the Combined Group being unable to achieve its growth projections or maintain its market share, which could adversely impact the Combined Group's revenue generation and profitability. Radiologists may also terminate their relationships with the Combined Group, which in certain circumstances could result in increased competition from individuals who are knowledgeable about the Combined Group's business strategies and operations. This risk may increase as the equity interests of certain radiologists currently employed or engaged by Integral are reduced, or any escrow arrangements that apply to such equity interests are released, in connection with the Offer. In addition, competition to recruit radiologists may make it difficult for the Combined Group to maintain adequate levels of radiologists without a significant increase in labour costs.

(f) Referrals

Medical professionals, including general practitioners, medical specialists and allied health professionals (**Referrers**) must refer a patient to a diagnostic imaging services provider in order for those diagnostic imaging services to be eligible for a full or partial Medicare rebate. The Combined Group therefore will depend on referrals of patients from unaffiliated Referrers, who will have no contractual obligations or incentives to refer patients to the Combined Group, for a substantial portion of its revenue. Accordingly, relationships with Referrers, hospital groups and other parties will be important to the Combined Group's businesses. Further, applicable legislation generally prohibits any benefit passing between a service provider such as Capitol or Integral, and a Referrer. This heightens the importance of the Combined Group providing, and demonstrating it provides, quality diagnostic imaging services, which builds relationships with Referrers and achieves "doctor goodwill".

If a sufficient large number of Referrers were to discontinue referring patients to the Combined Group, the volume of diagnostic imaging services that the Combined Group undertakes could decrease, which would adversely affect the Combined Group's business, financial position and prospects. This could occur due to an unsatisfactory level of services provided by the Combined Group or due to a healthcare company which also provides diagnostic imaging services acquiring referral sources such as medical centres from which Referrers operate.

(g) [Financial disclosure](#)

[Capitol and Integral may have different approaches to accounting policies and procedures. In particular, there may be differences in the application of accounting standards and the treatment of certain assets and liabilities between the two companies. As such, it is possible that this could have a material impact on the Combined Group financial information presented in Section 6.](#)

[In addition, the historical financial information provided for Radiology Tasmania and I-rad was not prepared in accordance with Australian Accounting Standards.](#)

(h) ~~(g)~~ Competition risk

The market for diagnostic imaging services is competitive and dynamic. The Combined Group will compete for patients on the basis of its reputation, its ability to provide multiple modalities at its facilities, the location of its facilities, the quality of its diagnostic imaging services, the level of skill and experience of its radiologists and the prices it charges its customers with both current competitors and competitors as yet unknown to the Combined Group. Some of the Combined Group's competitors may now or in the future have access to greater financial resources than the Combined Group does, or may have access to newer, more advanced equipment, which may affect the operating performance of the Combined Group. If there is an increase in competition within the diagnostic imaging services market, future operating costs may rise and the prices that the Combined Group is able to charge for its services may fall, which may adversely affect its business, financial position and prospects of the Combined Group.

(i) ~~(h)~~ Labour costs

The Combined Group will rely on accredited medical practitioners as a source of patient referrals to their facilities. For those accredited medical practitioners that are not currently employed by or remunerated by Capitol or Integral, there is a risk that they may choose to refer their patients to, and perform their services at, facilities other than those operated by the Combined Group.

Separately, from time to time, the Combined Group may need to renegotiate enterprise bargaining agreements with its staff, and in such cases there is a risk that such negotiations could result in a staff strike or other form of service interruption, or increased direct and indirect labour costs of the Combined Group, both of which would have a negative impact on earnings.

(j) ~~(i)~~ Loss or misuse of personal information

The Combined Group's operations rely on the secure processing, transmission and storage of confidential, proprietary and other information in its computer systems and networks. The Combined Group's facilities and systems may be vulnerable to privacy and security incidents, security attacks and breaches, acts of vandalism or theft, computer viruses, emerging cybersecurity risks, misplaced or lost data, programming and/or human errors or other similar events.

(k) ~~(j)~~ Reputational risk

The reputation of the Combined Group and its individual brands will be important in attracting patients, radiologists, and key employees in each of its respective markets. Reputational damage could arise due to a number of circumstances, including error, malpractice or negligence of the Combined Group's employees, poor service levels delivered to customers and outdated facilities and equipment.

(l) ~~(k)~~ Failure of diagnostic imaging equipment

Capitol relies on high utilisation rates on its imaging systems in order to provide timely, effective service. Failures or breakdowns to equipment may take time to repair and may lead to a loss of revenue, for which warranty and maintenance contracts may not fully compensate the Combined Group. Further, repairs and servicing may not be able to be performed in a timely manner. If the Combined Group experiences greater than anticipated system malfunctions or if it is unable to promptly obtain the service necessary to keep its systems functioning effectively, the Combined Group's revenues could decline and its ability to provide services could be harmed.

(m) ~~(l)~~ Relationship with private health insurers

A part of the Combined Group's services will be funded (either directly or via reimbursement to patients) by private health insurers through negotiated fee arrangements. Failure to reach a satisfactory commercial agreement with a key private health insurer has the potential to negatively impact the financial and operating performance of the Combined Group.

The Combined Group will also be susceptible to factors adversely affecting the profitability of private health insurers, which is dependent on a number of factors, including the number of members and types of policies and coverage they have, and the level of claims and investment income. A number of factors including, but not limited to, a worsening economic climate, changes in economic incentives, annual increases to private health insurance premiums and other factors may cause the number of members in private health insurers to fall or result in members choosing to decrease the level of their private health insurance coverage.

A decline in the profitability of private health insurers, or the inability of private health insurers to obtain premium increases, may result in the Combined Group being unable to achieve growth in the direct and indirect funding it receives from private health insurers, or be unable to renew contracts with private health insurers on suitable terms. It may also result in patients being faced with higher out-of-pocket expenses, which could reduce demand for the Combined Group's diagnostic imaging services and erode the Combined Group's competitive position.

(n) ~~(m)~~ Technological change

The success of the Combined Group's business is dependent on acquiring and maintaining an effective and competitive equipment base. The development of new technologies or refinements of existing modalities could make the Combined Group's existing systems technologically or economically obsolete, or reduce the need or demand for its systems. In turn, this may require the Combined Group to upgrade and enhance its existing equipment before it may otherwise intend. In addition, advances in technology may enable physicians and others to perform diagnostic imaging services currently undertaken by Capitol and Integral.

Any failure by the Combined Group to anticipate and respond to new technologies could materially adversely affect the Combined Group's ability to deliver services in an efficient and effective manner, which could have a negative impact on the Combined Group's financial performance and prospects.

(o) ~~(n)~~ Nuclear medicine

Nuclear medicine uses radioactive materials, which generate medical and other regulated wastes. The possession and disposal of these materials and waste products present the risk of accidental environmental contamination and physical injury. The Combined Group cannot completely eliminate the risk of accidental contamination or injury from these hazardous materials and could be held liable for any resulting damages. Any liability could exceed the limits of, or fall outside, the Combined Group's insurance cover.

(p) ~~(o)~~ Work, health and safety risk

Healthcare operators such as Capitol and Integral are subject to extensive laws and regulations governing health and safety matters, protecting both the public and its employees. Any breach of these obligations could adversely affect the results of the Combined Group and its reputation, and expose it to claims for financial compensation or adverse regulatory consequences. There is also risk associated with incidents relating to

health and safety that do not result from any breach of obligations. For example, the risk of terrorist activity at a property owned by the Combined Group.

(g) ~~(p)~~ Litigation and insurance

Healthcare operators such as Capitol and Integral are exposed to the risk of medical indemnity claims and litigation. It is possible that a current or past patient of either Capitol or Integral may commence or threaten litigation for medical negligence against the Combined Group, which could have a negative impact on the financial performance, financial position, and future prospects of the Combined Group.

Separately, while both Capitol and Integral maintain insurance coverage consistent with industry practice, there is no guarantee that such insurance will be available in the future for the Combined Group on commercially reasonable terms or that any cover will be adequate and available to cover all or any future claims.

(r) ~~(e)~~ Loss or breach of licence, certification or accreditation

In order for patients to receive Medicare rebates in respect of the diagnostic imaging services provided by Capitol and Integral, Capitol and Integral are required to:

- (i) register each site at which diagnostic imaging services are provided with the Department of Human Services, resulting in the issuance of a Location Specific Practice Number for the site;
- (ii) obtain accreditation under the Diagnostic Imaging Accreditation Scheme, the National Association of Testing Authorities Australia or Quality Innovation Performance; and
- (iii) register MRI units with the Department of Health (either on a full or partial basis).

Any lapse in any of the above licences, registrations, certifications or accreditations by the Combined Group, or any of its employees, or the failure of any of the sites operated by the Combined Group to satisfy any of the licencing, registration, certification or accreditation requirements mandated by Medicare from time to time, could adversely affect the operations and financial performance of the Combined Group.

9.3 Risk factors that arise from the Offer

(a) Issue of Capitol Shares as consideration

Integral Shareholders are being offered consideration under the Offer that consists of a specified number of Capitol Shares, rather than a number of Capitol Shares with a specified market value. As a result, the value of the consideration will fluctuate depending upon the market value of the Capitol Shares.

Furthermore, under the Offer, Capitol will issue a significant number of Capitol Shares. Some Capitol Shareholders may not intend to continue to hold their Capitol Shares and may wish to sell them on ASX. There is a risk that if a significant number of Capitol Shareholders seek to sell their Capitol Shares, this may adversely impact the price of Capitol Shares.

(b) Integration risks

There are risks that integration of the businesses of Capitol and Integral may take longer than expected and that anticipated benefits of that integration may be less than estimated. These risks include possible differences in the management culture of the two groups, inability to achieve synergy benefits and cost savings, and the potential loss of key personnel.

(c) Termination of contracts

A change in control of ~~Capitol and/or~~ Integral may occur as a result of the Offer. It is possible that material contracts to which ~~either Capitol or~~ Integral is a party, such as debt facilities, service agreements with public and private hospitals and clinics, leases and contracts with radiologists, may be subject to review or termination upon such a change of control.

While Capitol is not aware of any counterparty that may wish to terminate a material contract, should any such contracts be terminated, the Combined Group would lose the benefit of the contract and may not be able to obtain similarly favourable terms upon entry into replacement arrangements (should replacement arrangements be available).

(d) Existing ANZ Debt

Capitol Bidco understands that Integral has existing indebtedness to Australia and New Zealand Banking Group Limited in an amount up to approximately A\$100,000,000 (**Existing ANZ Debt**) which may become due and payable as a result of a change of control of Integral arising from the Offer. Prior to making the Offer, Capitol entered into a binding commitment letter with NAB (the **Commitment Letter**) pursuant to which NAB has agreed to enter into a formal agreement to provide a term loan facility (the **Term Loan Facility**) for the purpose of refinancing the Existing ANZ Debt, if required (the **Loan Facility Agreement**).

Subject to the satisfaction of the Financing Conditions Precedent (as that term is defined below), the Term Loan Facility will be made available by NAB to Capitol Treasury Pty Ltd (in the event that Capitol Bidco acquires 100% of Integral Shares) or Integral (in the event Capitol Bidco acquires more than 50.1%, but less than 100% of, Integral Shares) for drawdown for the period on and from the date of the Commitment Letter until and including the earliest of the following to occur:

- the date of "Utilisation" of the Term Loan Facility;
- the date the Commitment Letter is terminated in accordance with its terms; and
- the date that is six months after the date of the Commitment Letter,

(the **Certain Funds Period**).

The Commitment Letter sets out the agreed pre-conditions to drawdown of funds under the Term Loan Facility during the Certain Funds Period (the **Financing Conditions Precedent**) that are customary for facilities of this nature in the Australian market, including:

- the execution of the Term Loan Facility Agreement and related finance documents;
- no breach of material covenant subsisting, or would result from, the provision of a drawdown under the Term Loan Facility; and
- no material representation provided by an "Obligor" is untrue or misleading in any material respect.

As at the date of this Bidder's Statement, Capitol Bidco is not aware of any circumstance that would prevent the satisfaction of any of the Financing Conditions Precedent, and is confident that, subject to the satisfaction of each of the Defeating Conditions, the Financing Conditions Precedent will be satisfied in time to allow the refinancing of the financial indebtedness of Integral following the conclusion of the Offer Period.

(e) Information technology systems

Capitol and Integral are reliant on the capability and reliability of its information technology systems and back-up systems, and those of its external providers. The failure of any information technology systems could adversely impact the ability for the Combined Group to conduct its business in the ordinary course.

(f) Credit risk

Capitol and Integral provide certain services on credit terms and, as such, are exposed to credit risk on payment of their invoices. This risk is managed, and mitigated, by internal policies employed by Capitol and Integral, respectively, to collect outstanding invoices, and established procedures for collection enforcement of overdue amounts. The failure of one or more of the debtors of the Combined Group to comply with the credit terms could adversely impact the financial position of the Combined Group.

(g) Limited access to Integral information

Capitol Bidco has had no access to information on Integral beyond that which is available in the public domain. There is a risk that Capitol Bidco may not have conducted due diligence on all material information in relation to Integral and that any assumptions made during the due diligence period may prove to be false or incorrect. Therefore, there remains uncertainty associated with the information disclosed in this Bidder's Statement relating to Integral. Capitol does not, except as required by law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

9.4 General Investment Risks

(a) General economic conditions

Capitol's operating and financial performance is influenced by a variety of general economic and business conditions, including the level of inflation, interest rates, ability to access funding, oversupply and demand conditions and government fiscal, monetary and regulation policies, changes in gross domestic product and economic growth. Prolonged deterioration in these conditions, including an increase in interest rates and an increase in the cost of capital could have a material adverse impact on Capitol's operating and financial performance and financial position.

(b) Changes in accounting policy

Capitol must report and prepare financial statements in accordance with prevailing accounting standards and policies. There may be changes in these accounting standards and policies in the future which may have an adverse impact on Capitol's financial performance and financial position as reported in its financial statements.

(c) Currency

The Combined Group will have operations or investments in multiple jurisdictions. Accordingly, its revenues, profitability, liabilities and the asset carrying values may be affected by adverse movements in the value of various foreign currencies.

(d) Market risks

The price that Capitol Shares trade on the ASX may be determined by a range of factors, including:

- (i) changes local and international stock markets;
- (ii) inflation;
- (iii) changes in interest rates;
- (iv) general economic conditions;

- (v) changes to the relevant indices in which Capitol may participate, the weighting that Capitol has in the indices and the implication of those matters for institutional investors that impact their investment holdings in Capitol;
- (vi) global geo-political events, terrorist activities, hostilities and natural disasters;
- (vii) continuation of inclusion in key indexes including maintenance of sufficient liquidity, free float and market capitalisation;
- (viii) investor perceptions; and
- (ix) changes in government, fiscal, monetary and regulatory policies.

In the future, one or more of these factors may cause Capitol to trade below current market prices and may affect the revenue and expenses of Capitol. In addition, the stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of Capitol.

(e) Foreign exchange risk to investment returns

All information in this Bidder's Statement is presented in Australian dollars. Integral Shareholders who reside outside of Australia, or who rely on funding denominated in a currency other than the Australian dollar, should be aware of the impact that fluctuations in exchange rates may have on the value of their investments in, and returns from, Capitol.

(f) Additional risks

Additional risks and uncertainties not currently known to Capitol may also have a material adverse effect on Capitol's business and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Capitol.

10 Other Material Information

10.1 Support of major Integral Shareholders

Certain shareholders of Integral have indicated their support for the Offer by entering into the following pre-bid acceptance agreements with Capitol pursuant to which they have collectively agreed to accept or procure the acceptance of ~~23,635,027~~~~28,348,962~~ Integral Shares (or ~~16.3~~~~19.55~~% of the Integral Shares on issue), in aggregate, into the Offer on the 5th business day after Integral releases its Target's Statement, as notified by Capitol, in the absence of a superior proposal:

- Regal Funds Management, in relation to 7,439,931 Integral Shares (or 5.13% of the Integral Shares on issue), together with an obligation to procure the acceptance of 7,118,085 Integral Shares (or an additional 4.91% of the Integral Shares on issue) into the Offer;
- ~~• Adam Smith Asset Management, in relation to 4,713,935 Integral Shares (or 3.25% of the Integral Shares currently on issue);~~
- Microequities, in relation to 2,900,000 Integral Shares (or 2.00% of the Integral Shares on issue); and
- Wilson Asset Management, in relation to 6,177,011 Integral Shares (or 4.26% of the Integral Shares on issue),

(together, the **Pre-Bid Acceptance Agreements**).³¹

Adam Smith Asset Management also signed a pre-bid acceptance agreement in relation to the Offer in respect of 4,713,935 Integral Shares, a copy of which is attached to the substantial holder notice lodged with the ASX on 29 November 2017. However, the relevant pre-bid commitments under that agreement terminated without extension.

Capitol has agreed to acquire the Integral Shares that are subject to the Pre-Bid Acceptance Agreements for A\$0.36 cash and 6.9 Integral Shares per Capitol Share.

As at the date of this Bidder's Statement, Capitol holds a relevant interest in ~~11.83~~~~15.08~~% of the Integral Shares. The maximum number of Integral Shares in which Capitol may hold a relevant interest pursuant to the Pre-Bid Acceptance Agreements is ~~16.3~~~~19.55~~% of the Integral Shares.

10.2 Acquisition Opportunities

(a) Acquisition of I-rad

Capital Radiology Pty Ltd (ACN 126 357 944) (**Capital Radiology**) entered into an agreement dated 18 December 2017 (**I-rad Acquisition Agreement**) for the acquisition of the business known as 'I-rad Digital Radiology Solutions' (**I-rad**). The consideration for the sale comprises a fixed upfront payment of ~~\$3 million~~~~A\$3 million (including the assumption of employee entitlements plus the assumption of some equipment finance)~~ plus up to an additional ~~\$0.5~~~~A\$0.5~~ million of performance based incentive payments payable over 2 years (based on revenue growth). The consideration is all payable in cash.

~~Completion of the acquisition is subject to standard conditions precedent in favour of Capital Radiology, including:~~

³¹ Copies of the Pre-Bid Acceptance Agreements are attached to the substantial holder notice lodged with ASX on 29 November 2017. Subsequent to the execution of the Pre-Bid Acceptance Agreements, the Integral Shareholders that are a party to the Pre-Bid Acceptance Agreements have confirmed that clause 6(a)(ii) of their respective Pre-Bid Acceptance Agreement will be taken not to apply if the Offers are dispatched to Integral Shareholders within 14 to 28 days after lodgement of this Bidder's Statement with ASIC.

- ~~(i) novation of the premises lease;~~
- ~~(ii) the founder committing to 3 years of employment following completion;~~
- ~~(iii) an agreed majority of employees (including key medical staff) accepting an offer of employment; and~~
- ~~(iv) receipt of necessary authorisations required to conduct the business.~~

Capital Radiology has the benefit of customary warranty and indemnity protection under the I-rad Acquisition Agreement.

~~It is anticipated that completion~~ Completion of the acquisition ~~will occur in mid-January and by no later than 31 March 2018 (unless agreed otherwise)~~ occurred on 22 January 2018.

(b) Acquisition of Radiology Tasmania

Capitol Bidco entered into an agreement dated 21 December 2017 (***Radiology Tasmania Agreement***) for the acquisition of 100% of the shares in Radiology Tasmania Pty Ltd (ACN 123 131 760) (***Radiology Tasmania***). The consideration for the acquisition comprises an upfront payment of ~~\$24.17~~ A\$24.17 million (subject to a working capital adjustment), plus an aggregate earn out amount of ~~\$1~~ A\$1 million payable over 2 years (based on revenue targets and subject to retention of the founder during that period). The consideration is all payable in cash. The sale will be completed on a cash free and debt free basis, with all indebtedness of Radiology Tasmania paid out at or before completion of the acquisition.

Completion of the acquisition is subject to standard conditions precedent in favour of Capitol Bidco, as follows:

- (i) the founder radiologist committing to 3 years of employment following completion;
- (ii) relevant third party consents to the change of ownership; and
- (iii) continued employment of key personnel.

Capitol Bidco has the benefit of customary warranty and indemnity protection under the Radiology Tasmania Agreement and has obtained a buyer's warranty insurance policy.

It is anticipated that completion of the acquisition will occur ~~at the end of January in early February~~ and by no later than 28 February 2018 (unless agreed otherwise).

(c) New opportunities

Capitol will continue to evaluate new acquisition opportunities as they arise. Although Capitol is optimistic that one or more of such opportunities will be pursued, there is no certainty that any acquisition will eventuate. Accordingly, we have not included the effect of any acquisition opportunities, which have not been signed as at the date of this Bidder's Statement, in the pro-forma forecast financial information set out in section 6.9.

10.3 ASIC modifications and exemptions

(a) Class order relief

ASIC has published various 'Class Order' instruments providing for modifications and exemptions that apply generally to all persons, including Capitol Bidco, in relation to the operation of Chapter 6 of the Corporations Act.

Amongst others, Capitol Bidco has relied on the modification to section 636(3) of the Corporations Act set out in paragraph 11 of ASIC Class Order 13/521 'Takeover Bids' to include

references to certain statements by Integral and the Integral Board in this Bidder's Statement without obtaining the consent of those persons.

The relevant statements were respectively taken from the following announcements made by Integral to ASX on the following dates:

Announcement	Date of Announcement
Half Yearly Report and Appendix 4D	19 January 2018
CEO AGM Presentation including Outlook	22 November 2017
FY17 Results Presentation	24 August 2017
Appendix 4E and Annual Report 2017	24 August 2017
Annual Report to shareholders	26 September 2016
Prospectus	21 October 2015
Audited Accounts for the full year ended 30 June 2015	21 October 2015

As required by [ASIC](#) Class Order 13/521, Capitol Bidco will make available a copy of these documents (or relevant extracts of these documents), free of charge, to Integral Shareholders who request them during the Offer Period. To obtain a copy of these documents (or the relevant extracts) [or a copy of the ASIC relief instrument mentioned in section 10.3\(b\) below](#), Integral Shareholders may telephone the Capitol Offer Information Line on 1300 090 799 (toll-free within Australia) or +61 3 9415 4322 (from outside Australia), Monday to Friday between 8.30am and 5.00pm (Melbourne time). Integral Shareholders should note that Capitol Bidco has assumed, for the purpose of preparing this Bidder's Statement, that the information contained in these documents is accurate. However, neither Capitol Bidco, Capitol nor their respective directors take responsibility for the content of these documents and are not to be taken as endorsing, in any way, any or all of the statements contained in such statements, except to the extent required by law.

(b) [Specific ASIC relief](#)

[Capitol BidCo has applied for, and has been granted, the following relief by ASIC pursuant to section 655A\(1\) of the Corporations Act:](#)

- [\(i\) an exemption from item 6 of the table in section 633\(1\) of the Corporations Act, but only to the extent that the item requires that the bidder's statement is sent with the offers and that the offers that are made are on the terms set out in the bidder's statement and offer document lodged with ASIC under item 2 of the table in section 633\(1\) of the Corporations Act; and](#)
- [\(ii\) a declaration that section 612\(f\) of the Corporations Act is modified to exclude a contravention arising solely from a failure to complete the step in item 6 of the table in section 633\(1\) of the Corporations Act within 28 days after the bidder's statement is sent to the target,](#)

[subject to certain conditions. The effect of the relief granted by ASIC is that Capitol Bidco is permitted to dispatch to Integral Shareholders this Bidder's Statement instead of the original bidder's statement dated 22 December 2017, and Capitol Bidco's failure to dispatch to Integral Shareholders the original bidder's statement lodged with ASIC on 22 December 2017 will not render any acquisitions under the Offer unlawful.](#)

10.4 Interested Persons

Other than as set out below, or elsewhere in this Bidder's Statement, no:

- Capitol Director, Capitol Bidco Director or proposed Capitol Director or Capitol Bidco Director;
- person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- promoter of Capitol or Capitol Bidco; or
- underwriter to the issue of Capitol Shares or financial services licensee named in this Bidder's Statement as being involved in the issue of Capitol Shares,

(together, the **Interested Persons**) holds, as at the date of this Bidder's Statement, or held at any time during the last two years, any interest in:

- the formation or promotion of Capitol or Capitol Bidco;
- property acquired, or proposed to be acquired by Capitol or Capitol Bidco in connection with its formation or promotion, or the offer of Capitol Shares under the Offer; or
- the offer of the Capitol Shares under the Offer.

10.5 Disclosure of interests or fees and benefits payable to Capitol Directors or Capitol Bidco Directors and advisers to Capitol and Capitol Bidco

The total annual remuneration for existing and proposed non-executive Capitol Directors and Capitol Bidco Directors is A\$540,000. The total remuneration of all existing executive Capitol Directors and Capitol Bidco Directors is A\$1,645,048.

Other than as set out below, or elsewhere in this Bidder's Statement, no amounts have been paid, or agreed to be paid, and no benefits have been given or agreed to be given:

- to a director or proposed director of Capitol to induce them to become, or to qualify as, a director of Capitol or Capitol Bidco; or
- for services provided by Interested Persons in connection with the formation or promotion of Capitol, or the offer of Capitol Shares under the Offer.

Rothschild Australia Limited has acted as financial advisor to Capitol and Capitol Bidco in connection with the Offer. Capitol has paid, or agreed to pay, Rothschild up to A\$5,026,975.

Allens has acted as legal advisor to Capitol and Capitol Bidco in connection with the Offer. Capitol has paid, or agreed to pay, up to ~~A\$469,713~~ A\$898,660 (excluding GST and disbursements) for these services. Capitol ~~may pay~~ has paid, or agreed to pay, additional fees for legal services provided in connection with the Offer after the date of this Bidder's Statement.

RSM Corporate Australia Pty Ltd has acted as ~~accounting~~ Investigating Accountant and tax advisor to Capitol and Capitol Bidco in connection with the Offer. Capitol has paid, or agreed to pay, up to ~~A\$76,000~~ A\$150,000 (excluding GST) for these services. Capitol ~~may pay~~ has paid, or agreed to pay, additional fees for ~~legal~~ accounting and tax services provided in connection with the Offer after the date of this Bidder's Statement.

Avenue Advisory Pty Limited has acted as financial adviser to Capitol and Capitol Bidco in connection with the Offer. Capitol has paid, or agreed to pay, Avenue Advisory up to A\$650,000.

10.6 Capitol Directors' and Capitol Bidco Directors' interests in Integral Shares

As at the date of this Bidder's Statement, none of the Capitol Directors nor the Capitol Bidco Directors have a relevant interest in Integral Shares.

10.7 Broker commission

Capitol Bidco may offer to pay a commission to brokers who solicit acceptances of the Offer from their clients, but has made no final decision in relation to the matter at this stage.

Any commission payments will be paid only in respect of parcels of Integral Shares held by retail shareholders who accept the Offer.

If such arrangements are put in place, commission payments will not exceed 0.75% of the value of the consideration payable for parcels of Integral Shares held by retail shareholders who accept the Offer, and will be subject to minimum payments (not exceeding A\$50) and maximum payments (not exceeding A\$750) for each acceptance.

If a commission is offered, it will be payable to brokers only and subject to the condition that no part of the fee will be able to be passed on, or paid, to Integral Shareholders.

If and when Capitol decides to offer such a commission to any broker, it will make an announcement to ASX.

It is Capitol's intention that, if and when an offer of commission has been made to any broker by Capitol, the commission arrangement will remain in place for the balance of the Offer Period and the amount of the commission offered will not be increased during the Offer Period.

10.8 Ineligible Foreign Shareholders

If you are an Ineligible Foreign Shareholder and you accept the Offer, you will not receive any Capitol Shares. Instead, you will receive in respect of your Integral Shares a cash amount calculated under section 11.8(g).

The Offer is not registered in any jurisdiction outside Australia. It is your sole responsibility to satisfy yourself that you are permitted by any law of a country other than Australia applicable to you to accept the Offer and to comply with any other necessary formality and to obtain any necessary governmental or other consents.

10.9 Potential for waiver of Defeating Conditions

The Offer is subject to a number of conditions set out in section 11.6, including a minimum acceptance condition (see section 11.6(a)). Under the terms of the Offer and the Corporations Act, any or all of those Defeating Conditions may be waived by Capitol Bidco.

If an event occurs which results (or would result) in the non-fulfilment of a Defeating Condition, Capitol Bidco might not make a decision as to whether it will either rely on that occurrence, or instead waive the Defeating Condition in respect of that occurrence, until the date for giving notice as to the status of the conditions of the Offer under section 630(3) of the Corporations Act (see section 11.7(d)). If Capitol Bidco decides that it will waive a Defeating Condition it will announce that decision to ASX in accordance with section 650F of the Corporations Act.

If any of the Defeating Conditions ~~is-are~~ not fulfilled, and Capitol Bidco decides to rely on that non-fulfilment, then any contract resulting from acceptance of the Offer will become void at (or, in some cases, shortly after) the end of the Offer Period, and the relevant Integral Shares will be returned to the holder. If the Defeating Condition in section 11.6(b) is not fulfilled, and Capitol Bidco decided to rely on that non-fulfilment, then ~~no-any~~ contract ~~will be capable of arising at all~~ resulting from the acceptance of the Offer will become void in accordance with section 11.7(e).

10.10 Valuation Date – Reliance on ASIC Class Order 2015/1068

Capitol Bidco may rely on the provisions of *ASIC Corporations (Minimum Bid Price) Instrument 2015/1068 (ASIC Instrument)*. The ASIC Instrument provides relief from ~~in-~~section 621(~~34~~) of the Corporations Act and allows a ~~bid-bidder up~~ to five business days before the date of the ~~offer-bid~~

to value quoted securities that it is offering as part of its bid consideration, for the purpose of determining whether the value of its bid consideration at least equals the maximum value of consideration paid by the bidder for bid class securities in the four months prior to the date of the offer.

Relying on that relief, Capitol Bidco may value the Capitol Shares to be provided under the Offer at any date nominated by Capitol Bidco (the **Valuation Date**) up to five business days before the date of the Offer. The valuation is determined by calculating the VWAP of the Capitol Shares in the ordinary course of trading on ASX during two full days before the Valuation Date.

Under section 621(4A) of the Corporations Act (as inserted into the Corporations Act by the ASIC Instrument) the following information is provided:

- the value of Capitol Shares under section 621(4A): A\$[*];
- the Valuation Date: [*] 2017; and
- the trading days on which the valuation is based: [*] and [*].

The value of the Offer per Integral Share for the purpose of section 621 of the Corporations Act, using the valuation methodology prescribed by the ASIC Instrument, is therefore A\$[*] (comprising A\$[*] plus the cash component of the Offer Amount of A\$[*]).

This value exceeds the maximum value of consideration paid by Capitol Bidco for Integral Shares in the four months prior to the date of the Offer.

10.11 Status and effect of Defeating Conditions

Section 4.11 describes matters relevant to the status of the Defeating Condition in section 11.6(a). This section 10.11 describes the status of the remaining Defeating Conditions of the Offer.

In relation to the Defeating Condition in section 11.6(c), Capitol Bidco is not aware, as at the date of this Bidder's Statement, of any decision, action or investigation which would result in the non-fulfilment of that condition.

Capitol Bidco has not sought merger clearance from the ACCC because it is of the view that the Offer does not give rise to competition issues. Integral and Capitol operate complementary businesses in Victoria; broadly, Integral operates clinics across regional Victoria, while Capitol operates metropolitan clinics.

~~As at the date of this Bidder's Statement, Capitol Bidco is not aware of any events or circumstances which would result in the non-fulfilment of any of the other Defeating Conditions in section 11.6.~~
In relation to the Defeating Condition in section 11.6(h), Capitol BidCo acknowledges the announcement by Integral to the ASX on 19 January 2018 regarding the declaration of a dividend but, as at the date of this Bidder's Statement, has not made a decision whether or not to waive that condition.

10.12 Social security and superannuation implications of the Offer

Acceptance of the Offer may have implications under your superannuation or pension arrangements or on your social security entitlements. If in any doubt, Integral Shareholders should seek specialist advice before accepting the Offer.

10.13 Withholding of consideration

Capitol Bidco is not currently aware of any amounts that are or would be treated as withholding amounts under section 11.8(f). However, it is possible that Capitol Bidco may become aware of an obligation in this regard after the date of this Bidder's Statement.

For example, under section 255 of the *Income Tax Assessment Act 1936* (Cth), the Australian Taxation Office may notify Capitol Bidco that all or part of the consideration otherwise payable under the Offer to Integral Shareholders who are non-residents of Australia is to be retained by Capitol Bidco, or paid to the Australian Taxation Office, instead of being paid to the relevant Integral Shareholders. Similarly, under section 260-5 of Schedule 1 to the *Taxation Administration Act 1953* (Cth), the Australian Taxation Office may require Capitol Bidco to pay to the Australian Taxation Office all or part of the consideration otherwise payable under the Offer to Integral Shareholders who owe tax-related debts to the Australian Government.

10.14 No collateral benefits

Neither Capitol, Capitol Bidco nor any of their respective associates has in the four months before the date of this Bidder's Statement, or in the period between the date of this Bidder's Statement and the date of the Offer, given, offered to give or agreed to give a benefit which is not offered to all Integral Shareholders under the Offer to another person which was likely to induce the other person (or an associate) to accept the Offer or dispose of Integral Shares.

10.15 No escalation agreement

Neither Capitol, nor any of its associates, has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

10.16 Compulsory acquisition

If Capitol Bidco and its associates, during, or at the end of, the Offer Period have a relevant interest in at least 90% of Integral Shares and have acquired at least 75% (by number) of the Integral Shares, Capitol Bidco will seek to compulsorily acquire the remaining Integral Shares, and if so will give a notice of compulsory acquisition to the holders of the remaining Integral Shares, even if the Integral Shares to which those notices relate are issued:

- after the Offer closes but before the notices are given (pursuant to section 661A(4)(b) of the Corporations Act); or
- on conversion or exercise of rights attaching to securities convertible into Integral Shares, up to six weeks after the notices are given (pursuant to section 661A(4)(c) of the Corporations Act).

If Capitol Bidco and its associates obtain a relevant interest in at least 90% of Integral Shares and a full beneficial interest in at least 90% by value of all securities issued by Integral that are either Integral Shares or convertible into Integral Shares, Capitol Bidco will be entitled to compulsorily acquire any outstanding securities which are convertible into Integral Shares pursuant to Part 6A.2 of the Corporations Act.

10.17 Consents

The following firms and companies have given, and have not at the date of this Bidder's Statement withdrawn, their written consent to being named in this Bidder's Statement and to the inclusion of the following information in the form and context in which it is included. ~~None~~ Other than Capitol, none of the following firms and companies has caused or authorised the issue of this Bidder's Statement or has in any way been involved in the making of the Offer. The Offer is made by Capitol Bidco.

- Capitol;
- Allens to be named as legal adviser to Capitol and Capitol Bidco;
- Rothschild to be named as financial adviser to Capitol and Capitol Bidco;

- RSM Corporate Australia Pty Ltd to be named as accounting adviser to Capitol and Capitol Bidco;
- Computershare Investor Services Pty Limited to be named as the share registry of Capitol for the Offer;
- Avenue Advisory Pty Limited; and
- National Australia Bank Limited.

In addition, this Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 13/521, the persons making those statements are not required to consent to, and have not consented to, the inclusion of those statements, or of statements based on those statements, in this Bidder's Statement. See section 10.3.

In addition, as permitted by *ASIC Corporations (Consents to Statements) Instrument 2016/72*, this Bidder's Statement may include, or be accompanied by, certain statements that fairly represent a statement by an official person or are a correct and fair copy of, or extract from, a public official document or a published book, journal or comparable publication, where the statement was not made, or published, in connection with the Offer or Capitol or Integral or any business, property or person the subject of this Bidder's Statement or the Target's Statement.

10.18 Information about Capitol in this Bidder's Statement

Due to the fact that Capitol Bidco is offering Capitol Shares as consideration for the acquisition of Integral Shares under the Offer, the Corporations Act requires that this Bidder's Statement must include all information that would be required for a prospectus for an offer of Capitol Shares under sections 710 to 713 of the Corporations Act.

Capitol is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all disclosing entities, Capitol is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of Capitol Shares.

Capitol Shares have been quoted on the Official List of ASX during the 3 months prior to the date of this Bidder's Statement. For this reason, Capitol Bidco is only required to disclose information in this Bidder's Statement that would usually be required where Capitol Shares have been continuously quoted securities.

In general terms where Capitol Shares are continuously quoted securities this Bidder's Statement is only required to contain information in relation to the effect of the Offer and the rights and liabilities attaching to the Capitol Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company unless such information has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and it is information:

- that investors and their professional advisers would reasonably require for the purposes of making an informed assessment of such matters; and
- relating to the rights and liabilities attaching to the Capitol Shares.

Having made such enquiries as are reasonable, Capitol Bidco believes that Capitol has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Bidder's Statement which required Capitol to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

There is no information which has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules or this Bidder's Statement that Integral Shareholders and their professional advisers would reasonably require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of Capitol; and
- (b) the rights and liabilities attaching to the Capitol Shares to be issued pursuant to the Offer.

Information that is already in the public domain has not been reported in this Bidder's Statement, other than that which is considered necessary to make this Bidder's Statement complete.

Capitol Bidco states that:

- (a) Capitol is a disclosing entity under the Corporations Act;
- (b) it is subject to regular reporting and disclosure obligations;
- (c) copies of documents lodged with ASIC in relation to Capitol (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (d) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Bidder's Statement and the date the ~~offer~~ [Offer](#) closes:
 - (i) the annual financial report most recently lodged by Capitol with ASIC;
 - (ii) any half year financial report lodged with ASIC by Capitol after the lodgement of the annual financial report referred to in paragraph (i) and before the lodgement of this Bidder's Statement with ASIC; and
 - (iii) any documents used to notify ASX of information relating to Capitol during that period in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with ASIC in relation to Capitol can be inspected at the registered office of Capitol during normal office hours.

A list of announcements made by Capitol since 30 June 2017 appears in Annexure ~~B-C~~ to this Bidder's Statement.

Copies of these announcements are available from Capitol's website (www.capitolhealth.com.au) or alternatively from ASX at www.asx.com.au.

10.19 Expiry Date

No Capitol Share will be issued on the basis of this Bidder's Statement after the date that is 12 months after the date of this Bidder's Statement.

10.20 Extension of date for compliance with section 625(3)(c)(i) of the Corporations Act

On 24 January 2018, the Court granted an order extending the date for compliance by Capitol with section 625(3)(c)(i) of the Corporations Act to 17 January 2018. Accordingly, Capitol has complied with section 625(3)(c)(i) of the Corporations Act because, as set out in section 11.11(c), Capitol made an application on 17 January 2018 for the granting of official quotation of the Capitol Shares to be issued as consideration under the Offer.

10.21 ~~10.20~~ Other material information

Except as disclosed in this Bidder's Statement, there is no other information that:

- (a) is material to the making of the decision by an Integral Shareholder whether or not to accept the Offer; and
 - (b) is known to Capitol,
- which has not previously been disclosed to Integral Shareholders.

11 Offer Terms

11.1 Offer

- (a) Capitol Bidco offers to acquire all of your Integral Shares on the terms and subject to the conditions set out in this section 11.
- (b) The consideration offered for each of your Integral Shares is:
 - (i) 6.9 Capitol Shares (subject to section 11.1(c) and to rounding in accordance with section 11.1(d)); and
 - (ii) A\$0.36 in cash.
- (c) If you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Holder then, despite any other provision of this Offer, you will not receive Capitol Shares under this Offer. Instead, if you accept this Offer, you will be paid a cash amount determined in accordance with section 11.8(g).
- (d) If you would otherwise be entitled to a fraction of a Capitol Share as a result of your acceptance of this Offer in respect of your Integral Shares, that fractional entitlement will:
 - (i) if less than 0.5, be rounded down to zero; and
 - (ii) otherwise, be rounded up to one Capitol Share.

If Capitol Bidco reasonably believes that any parcel of Integral Shares has been created or manipulated to take advantage of rounding up, then any applicable fractional entitlement will be rounded down to zero or aggregated.
- (e) If Capitol Bidco acquires your Integral Shares under this Offer, it will also be entitled to all Rights in respect of your Integral Shares.
- (f) The Capitol Shares issued under this Offer will be issued by Capitol fully paid and will rank equally with existing Capitol Shares from the date of issue.
- (g) This Offer is dated [✱].

11.2 Offer Period

- (a) This Offer will remain open for acceptance during the period that commences on the date of this Offer and ends at 7pm (Melbourne time) on [✱], unless this Offer is withdrawn or that period is extended in accordance with the Corporations Act.
- (b) Capitol Bidco may, in accordance with the Corporations Act, extend the period during which this Offer remains open for acceptance.

11.3 How to accept this Offer

- (a) Accept for all of your Integral Shares
You may only accept this Offer for all of your Integral Shares.
- (b) Issuer Sponsored Holdings
If your Integral Shares are held in an Issuer Sponsored Holding (in which case your Securityholder Reference Number will commence with 'I'), to accept this Offer in respect of those Integral Shares you must:
 - (i) **complete** and **sign** the enclosed Acceptance Form in accordance with the instructions on it; and
 - (ii) **return** the Acceptance Form (using the enclosed reply paid envelope if you wish), together with all other documents required by the instructions on it, so that they

are **received** before the end of the Offer Period at the address indicated on the Acceptance Form.

(c) **CHESS Holdings**

If your Integral Shares are held in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), to accept this Offer in respect of those Integral Shares you must either:

- (i) **instruct** your Controlling Participant, in accordance with the sponsorship agreement between you and the Controlling Participant, to initiate acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules, so as to be effective before the end of the Offer Period; or
- (ii) **complete, sign and return** the enclosed Acceptance Form (using the enclosed reply paid envelope if you wish) in accordance with the instructions on the Acceptance Form, together with all other documents required by those instructions, so that they are **received** before the end of the Offer Period at the address indicated on the Acceptance Form. This will authorise Capitol Bidco to initiate, or alternatively to instruct your Controlling Participant to initiate, acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period. You must ensure that the Acceptance Form (and the other required documents) are received in sufficient time for Capitol Bidco to give instructions to your Controlling Participant, and for your Controlling Participant to carry out those instructions, before the end of the Offer Period.

However, if you are the Controlling Participant in respect of your Integral Shares, to accept this Offer you must yourself initiate acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.

11.4 Status and effect of the Acceptance Form

(a) **Status of Acceptance Form**

The Acceptance Form that accompanies this Bidder's Statement forms part of this Offer, and the instructions on the Acceptance Form must be followed in using it to accept this Offer.

(b) **Effect of Acceptance Form**

By signing and returning the Acceptance Form in accordance with section 11.3, you irrevocably authorise Capitol Bidco and its nominees:

- (i) to rectify any errors in, or omissions from, the Acceptance Form that are necessary to make it an effective acceptance of this Offer or to enable registration of the transfer of all of your Integral Shares to Capitol Bidco; and
- (ii) (in respect of any of your Integral Shares in a CHESS Holding) to:
 - (A) initiate, or alternatively instruct your Controlling Participant to initiate, acceptance of this Offer in respect of all such Integral Shares in accordance with Rule 14.14 of the ASTC Settlement Rules; and
 - (B) give any other instructions concerning those Integral Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and the Controlling Participant.

(c) Validation of Acceptance Form

Notwithstanding sections 11.4(a) and 11.4(b), Capitol Bidco may (except in relation to Integral Shares in a CHESS Holding) treat the receipt by it of a signed Acceptance Form either:

- (i) before the end of the Offer Period; or
- (ii) after the end of the Offer Period but where the Acceptance Form is sent by post and the envelope in which it is posted is post-marked before the end of the Offer Period,

as valid even though it does not receive the other documents required by the instructions on the Acceptance Form or there is not compliance with any one or more of the other requirements for acceptance. If Capitol Bidco does treat such an Acceptance Form as valid, subject to section 11.8, Capitol Bidco will not be obliged to give the consideration to you until Capitol Bidco receives all those documents and all of the requirements for acceptance referred to in section 11.3 and in the Acceptance Form have been met (other than the requirement of your Acceptance Form to be received before the end of the Offer Period).

(d) Risk in Acceptance Form

The transmission by you of the Acceptance Form and any other documents in accordance with section 11.3 is at your own risk. No acknowledgement of receipt of any such documents will be given to you by or on behalf of Capitol Bidco.

11.5 Agreement resulting from acceptance

By signing and returning the Acceptance Form or initiating or causing acceptance of this Offer under the ASTC Settlement Rules in accordance with section 11.3:

- (a) you irrevocably accept this Offer in respect of all of your Integral Shares at the date your acceptance is processed (even if the number of Integral Shares specified on the Acceptance Form differs from the number of your Integral Shares) and agree to the terms and conditions of this Offer;
- (b) subject to all of the Defeating Conditions being fulfilled or waived, you transfer, and consent to the transfer in accordance with the ASTC Settlement Rules of, all of your Integral Shares to Capitol Bidco in accordance with this Offer and subject to the conditions of the constitution of Integral on which they were held immediately before your acceptance of this Offer (and Capitol Bidco agrees to take those Integral Shares subject to those conditions);
- (c) you undertake not to create or allow an Encumbrance over, or dispose of or otherwise deal with, any of your Integral Shares;
- (d) you represent and warrant to Capitol Bidco that, at the time of your acceptance and at the time the transfer of your Integral Shares to Capitol Bidco is registered, all of your Integral Shares are and will be fully paid, and Capitol Bidco will acquire good title to them and full beneficial ownership of them free from all Encumbrances;

- (e) subject to all of the Defeating Conditions being fulfilled or waived, you irrevocably appoint Capitol Bidco and each of its directors and nominees severally as your attorney to exercise all powers and rights that you have as the registered holder of your Integral Shares, including:
 - (i) attending any meeting of Integral, and voting in respect of your Integral Shares, proposing or seconding any motion, and demanding a poll for any vote at, any such meeting;
 - (ii) requisitioning the convening of any general meeting of Integral and convening a general meeting pursuant to any such requisition; and
 - (iii) signing any form, notice, instrument or other document (including any proxy appointment) relating to your Integral Shares.

Such appointment will terminate on the earlier of the withdrawal of your acceptance of this Offer (either in accordance with its terms or under section 650E of the Corporations Act) and the end of the Offer Period or, if all Defeating Conditions of this Offer have been fulfilled or waived, the registration of Capitol Bidco as the holder of your Integral Shares;

- (f) you agree that, in exercising the powers and rights conferred by the power of attorney in section 11.5(e), each attorney may act in the interests of Capitol Bidco as the intended registered holder and beneficial owner of your Integral Shares;
- (g) except as contemplated by section 11.5(e) and while the appointment in that section continues, you agree not to attend or vote in person or by proxy, attorney or corporate representative at any meeting of Integral, or to exercise or purport to exercise (in person or by proxy, attorney, or corporate representative or otherwise) any of the powers conferred by the power of attorney in section 11.5(e);
- (h) you irrevocably authorise and direct Integral to pay Capitol, or to account to Capitol for, all Rights in respect of your Integral Shares (except to the extent that Capitol elects to waive its entitlement to those Rights), subject, however, to any such Rights received by Capitol being accounted for by Capitol to you if any contract resulting from your acceptance of this Offer is rescinded or rendered void;
- (i) subject to all of the Defeating Conditions being fulfilled or waived, you irrevocably authorise Capitol Bidco and its nominees to do all things necessary to transfer your Integral Shares to Capitol Bidco (including to cause a message to be transmitted in accordance with ASTC Settlement Rule 14.17.1 so as to transfer your Integral Shares, if held in a CHESS Holding, to the Takeover Transferee Holding), even if Capitol Bidco has not at that time paid or provided the consideration due to you under this Offer; and
- (j) you agree to indemnify Capitol Bidco and each of its agents in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or your Securityholder Reference Number or in consequence of the transfer of your Integral Shares to Capitol Bidco being registered by Integral without production of your Holder Identification Number or your Securityholder Reference Number.

11.6 Defeating Conditions

This Offer is subject to the following conditions (each, a **Defeating Condition**):

(a) Minimum relevant interest

During, or at the end of, the Offer Period, the Capitol Group has relevant interests (disregarding any relevant interests which the Capitol Group has or acquires merely

because of the operation of section 608(3) of the Corporations Act) in at least 90% of the Integral Shares (even if subsequently the Capitol Group has relevant interests in less than 90% of all the Integral Shares as a result of the issue of further Integral Shares).

(b) **Regulatory Approvals**

Before the end of the Offer Period, the Capitol Group receives all Approvals:

- (i) that are necessary to permit this Offer to be lawfully made to, and accepted by, Integral Shareholders; or
- (ii) that are necessary as a result of this Offer or the acquisition of Integral Shares or for the continued operation of the business of the Integral Group, or of the Capitol Group, substantially on the same terms as the relevant business was conducted as at the Announcement Date; or
- (iii) that are necessary to ensure that a Public Authority does not intervene or seek to prevent, or impose conditions or require undertakings in relation to, the acquisition of any Integral Shares by Capitol Bidco,

in each case on an unconditional basis and, at the end of the Offer Period, all of those Approvals remain in full force and effect in all respects and are not subject to any notice or indication of intention to revoke, suspend, restrict, modify or not renew those Approvals.

(c) **No regulatory action**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (iv) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (v) no action or investigation is announced, threatened or commenced by any Public Authority; and
- (vi) no application is made to any Public Authority (other than by Capitol Bidco or any of its Related Bodies Corporate),

(other than an application to, or a decision or order of, ASIC or the Australian Takeovers Panel under, or relating to a breach of Chapter 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act in consequence of, or in connection with, this Offer) that:

- (vii) restrains, impedes or prohibits (or if made, commenced or granted, could restrain, impede or prohibit), or otherwise materially adversely impacts upon, the making of this Offer, the acquisition of any Integral Shares under this Offer or any transaction contemplated by this Bidder's Statement, the Offer or the rights of Capitol Bidco or any of its Related Bodies Corporate in respect of Integral Shares, or requires the divestiture by any entity within the Capitol Group of any Integral Shares, or requires the divestiture of any assets of the Capitol Group or the Integral Group; or
- (viii) imposes any new terms on, amends the existing terms of or otherwise affects the rights held by any entity within the Integral Group under any approval, licence or permit issued by any Public Authority to any entity within the Integral Group.

(d) **No material adverse change**

Between the Announcement Date and the end of the Offer Period (each inclusive), no event, change or condition occurs, is announced or becomes known to Capitol Bidco or Integral (whether or not it becomes public) where:

- (i) that event, change or condition has had, or could reasonably be expected to have, either individually or in aggregate with all such events, changes and conditions:
 - (A) an adverse effect of A\$4,000,000 or more on the operating earnings before interest, tax, depreciation and amortisation of the Integral Group in any financial year; or
 - (B) an adverse effect of A\$10,000,000 or more on the value of the net assets of the Integral Group, or
- (ii) that event, change or condition has had, or could reasonably be expected to have, a material adverse effect on:
 - (A) the business, assets, liabilities, financial or trading position, profitability or prospects of the Integral Group, taken as a whole, since 30 June 2017; or
 - (B) the status or terms of arrangements entered into by the Integral Group, or on the status or terms of any approvals, licences or permits from Public Authorities applicable to the Integral Group,

except for events, changes and conditions publicly announced by Integral to the ASX prior to the Announcement Date or otherwise disclosed in public filings by Integral prior to the Announcement Date where the relevant disclosure is not, and is not likely to be, incomplete, incorrect, untrue or misleading (including by omission).

(e) No cessation of licences, registrations, certifications or accreditations

Between the Announcement Date and the end of the Offer Period (each inclusive), no entity within the Integral Group and no employee of the Integral Group (including radiologists and technical professionals), breaches the terms and conditions of, fails to renew or ceases to hold, any licenses, registrations, certifications or accreditations required for the provision of diagnostic imaging services and Medicare eligibility.

(f) No material acquisitions, disposals, new commitments or other events

Except to the extent fully and fairly disclosed in any announcement made by Integral to the ASX prior to the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period (each inclusive):

- (i) any entity within the Integral Group acquires or leases, or agrees or offers to acquire or lease, any one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount or consideration in excess of A\$25,000,000 for any individual item or in excess of A\$50,000,000 in aggregate;
- (ii) any entity within the Integral Group disposes of, or agrees or offers to dispose of, any one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount or consideration in excess of A\$10 million for any individual item or in excess of A\$15,000,000 in aggregate;
- (iii) any entity within the Integral Group enters into, agrees to enter into or amend or offers to enter into or amend, any agreement, joint venture or partnership that requires or is reasonably likely to involve payments, expenditure, or the foregoing of revenue, by the Integral Group in excess of A\$10,000,000 in aggregate;

- (iv) the commitment by the Integral Group to capital expenditure in excess of A\$15,000,000 in aggregate;
- (v) any entity within the Integral Group incurs, agrees to incur or bring forward the time for incurring, or granting to a third party a right the exercise of which would involve an Integral Group entity incurring or agreeing to incur an amount of capital expenditure in excess of A\$15,000,000 in aggregate;
- (vi) any entity within the Integral Group settles any legal proceedings, claim, investigation, arbitration or other like proceeding where the amount claimed by or against an entity within the Integral Group exceeds A\$3,000,000;
- (vii) any entity within the Integral Group becomes the subject of any litigation which is commenced or threatened, or there is an adverse development in any litigation to which an entity within the Integral Group is already subject (as at the Announcement Date), which results in, or may reasonably be expected to result in, a judgment or order against any entity within the Integral Group that:
 - (A) is for an amount in excess of A\$3,000,000;
 - (B) would require the Integral Group to undertake expenditure in excess of A\$3,000,000; or
 - (C) affects the rights held by or for the benefit of any entity within the Integral Group under any approval, licence or permit issued by any Public Authority to any entity within the Integral Group;
- (viii) any entity within the Integral Group incurs any indebtedness or issues any debt securities, other than:
 - (A) any draw down within existing limits of any existing debt facility in the ordinary course of business;
 - (B) trade credit in the ordinary course of business; or
 - (C) indebtedness to an entity within the Integral Group;
- (ix) any entity within the Integral Group gives or agrees to give any Encumbrance over any of its assets (or an interest in any of its assets), other than liens in the ordinary and usual course of business;
- (x) any entity within the Integral Group incurs or otherwise become exposed to a liability or contingent liability with an amount or value exceeding A\$10 million in aggregate;
- (xi) any entity within the Integral Group enters into, extends or renews any commitment (including any non-contractual commitment or undertaking) which has a value or involves a liability, expenditure or revenue, as the case may be, in excess of A\$20,000,000 when aggregated with related transactions;
- (xii) any entity within the Integral Group terminates or materially varies any commitment (including any non-contractual commitment or undertaking) which has a value or involves a liability, expenditure or revenue, as the case may be, in excess of A\$10,000,000 when aggregated with related transactions;
- (xiii) any entity within the Integral Group exercises a contractual right or other option which has a value or involves a liability or expenditure, as the case may be, in excess of A\$10,000,000 when aggregated with related transactions;

- (xiv) any entity within the Integral Group enters into any long-term commitment (including any non-contractual commitment or undertaking) with any customers which:
 - (A) has a duration of more than 24 months; or
 - (B) is inconsistent in a material respect with typical arrangements;
- (xv) any entity within the Integral Group enters into a new employment contract or increases the remuneration of, or otherwise varies the existing employment arrangements with, any of its directors or executives or any other employees which results in an aggregate increase in the Integral Group's annual employment costs as at 30 June 2017 in excess of A\$10,000,000;
- (xvi) any entity within the Integral Group pays or agrees to pay any bonus to any of its directors or executives or any other employees where such payment, if made, would result in the aggregate value of the bonuses paid or agreed to be paid by entities within the Integral Group following the Announcement Date being in excess of A\$5,000,000 (provided that any bonus already accrued as at the Announcement Date shall be excluded for the purposes of this sub-paragraph);
- (xvii) any entity within the Integral Group accelerates the rights of any of its directors or executives or any employee to benefits of any kind (other than under any executive or employee share plans) or enters into a commitment to pay a director or executive a termination payment (including a 'golden parachute');
- (xviii) any entity within the Integral Group enters into any guarantee or indemnity on behalf of any entity within the Integral Group or provides security for the obligations of any entity within the Integral Group in relation to amounts in excess of A\$15,000,000;
- (xix) any entity within the Integral Group provides financial accommodation to any Integral Director or any employee or officer of any entity within the Integral Group;
- (xx) any entity within the Integral Group enters into, amends, or agrees to enter into or amend any contract, commitment or other arrangement with a related party (as defined in section 228 of the Corporations Act) of Integral;
- (xxi) the constitution of any entity within the Integral Group is amended or replaced or any entity within the Integral Group states its intention to or makes any change to its constitution; or
- (xxii) any entity within the Integral Group announces an intention to do any of the matters referred to in the sub-paragraphs above, or brings forward the time for performance of or releases any rights it has against third parties in respect of any obligations or commitments relating to such matters in existence at the Announcement Date.

(g) No change of control or other rights

No person (including any Public Authority) has, or before the end of the Offer Period, is granted any right (whether subject to conditions or not) as a result of Capitol Bidco making this Offer or announcing its intention to make this Offer, or acquiring Integral Shares under this Offer, to:

- (i) acquire, or require the disposal of, or require any entity within the Integral Group to offer to dispose of, any material asset of any entity within the Integral Group;

- (ii) terminate, or vary the terms or performance of, any material agreement with any entity within the Integral Group (including any contract pursuant to which a member of the Integral Group provides diagnostic imaging services to a hospital, clinic or medical centre (or any similar contract) and any related lease, including any sub-lease, licence or similar arrangement);
- (iii) terminate, or vary the terms of any approvals, licences or permits issued by any Public Authority to any entity within the Integral Group; or
- (iv) require repayment of any moneys borrowed by or any other indebtedness of any entity within the Integral Group earlier than its stated maturity date, or withdraw or inhibit the ability of any entity within the Integral Group to borrow moneys or incur indebtedness,

other than a right in respect of which a written, enforceable, irrevocable and unconditional waiver has been obtained and announced by Integral to the ASX.

(h) No dividends

Between the Announcement Date and the end of the Offer Period (each inclusive), Integral does not make, determine as payable or declare any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).

(i) Equal access to information

At all times during the period from the Announcement Date to the end of the Offer Period (each inclusive), Integral promptly (and in any event within two business days) provides to Capitol Bidco a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to any Integral Group entity or any of its businesses or operations that has been provided by any Integral Group entity or any of its officers, employees, advisers or agents to any person (other than a Capitol Group entity) for the purpose of soliciting, encouraging or facilitating a proposal or offer by that person, or by any other person, in relation to a transaction under which:

- (i) any person (together with its associates) may acquire voting power of 10% or more in any Integral Group entity (whether by way of takeover bid, compromise or arrangement under Part 5.1 of the Corporations Act, or otherwise);
- (ii) any person may acquire, directly or indirectly (including by way of joint venture, dual listed company structure or otherwise), any interest in all or a substantial part of the business or assets of any Integral Group entity or the Integral Group as a whole; or
- (iii) that person may otherwise acquire control of or merge or amalgamate with any Integral Group entity.

(j) No prescribed occurrences

Between the period from the date on which this Bidder's Statement is given to Integral and the end of the Offer Period (each inclusive), none of the following events occur:

- (i) Integral converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) Integral or a Subsidiary of Integral resolves to reduce its share capital in any way, enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;

- (iii) Integral or a Subsidiary of Integral issues shares or convertible notes or grants an option over its shares, or agrees to make such an issue or grant such an option in each case;
- (iv) Integral or a Subsidiary of Integral disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (v) Integral or a Subsidiary of Integral grants, or agrees to grant, an Encumbrance in the whole, or a substantial part, of its business or property;
- (vi) Integral or a Subsidiary of Integral resolves to be wound up;
- (vii) a liquidator or provisional liquidator of Integral or of a Subsidiary of Integral is appointed;
- (viii) a court makes an order for the winding up of Integral or of a Subsidiary of Integral;
- (ix) an administrator of Integral or of a Subsidiary of Integral is appointed under section 436A, 436B or 436C of the Corporations Act;
- (x) Integral or a Subsidiary of Integral executes a deed of company arrangement; or
- (xi) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Integral or a Subsidiary of Integral.

(k) No prescribed occurrences between the Announcement Date and the date of this Bidder's Statement

During the period beginning on the Announcement Date and ending on the day before this Bidder's Statement is given to Integral, none of the events listed in section 11.6(j) happens.

11.7 Nature and operation of Defeating Conditions

(a) Nature of Defeating Conditions

Each of the other Defeating Conditions is a condition subsequent to the formation of a binding contract upon your acceptance of this Offer. None of those Defeating Conditions prevents a contract to sell your Integral Shares resulting from your acceptance of this Offer, but non fulfilment of any of those Defeating Conditions at the end of the Offer Period will have the consequences set out in section 11.7(e).

(b) Separate Defeating Conditions for benefit of Capitol Bidco

- (i) Each paragraph and each sub-paragraph of each paragraph of section 11.6 constitutes, and is to be construed as, a separate, several and distinct Defeating Condition. No Defeating Condition will be taken to limit the meaning or effect of any other Defeating Condition.
- (ii) Subject to the Corporations Act, Capitol Bidco alone is entitled to the benefit of the Defeating Conditions and to rely on breach or non-fulfilment of, or to waive, any of those conditions.

(c) Waiver of Defeating Conditions

Subject to the Corporations Act, Capitol Bidco may free this Offer and any contract resulting from your acceptance of this Offer from all or any of the Defeating Conditions generally or in relation to a specific occurrence by giving written notice to Integral not less than seven days before the last day of the Offer Period.

(d) Notice on status of Defeating Conditions

The date for giving the notice as to the status of the Defeating Conditions required by section 630(1) of the Corporations Act is [*] (subject to variation in accordance with section 630(2) of the Corporations Act if this Offer Period is extended).

(e) Contract void if Defeating Conditions not fulfilled

Your acceptance of this Offer, and any contract resulting from your acceptance of this Offer, will be automatically void if:

- (i) at the end of the Offer Period, any of the Defeating Conditions is not fulfilled; and
- (ii) Capitol Bidco has not declared this Offer and any contract resulting from your acceptance of it free from that Defeating Condition in accordance with section 11.7(c).

11.8 Payment of consideration

(a) When you will generally be paid

Subject to this section 11.8 and the Corporations Act, if you accept this Offer and the Defeating Conditions are fulfilled or waived, Capitol Bidco will pay you the consideration for your Integral Shares under this Offer on or before the earlier of:

- (i) the day that is one month after the date of your acceptance or, if at the time of your acceptance this Offer is subject to a Defeating Condition, one month after any contract resulting from your acceptance of this Offer becomes, or is declared, unconditional; and
- (ii) the day that is 21 days after the end of the Offer Period.

(b) Payment where additional documents required

Where additional documents are required, either by the Acceptance Form or otherwise, to be given to Capitol Bidco with your acceptance to enable Capitol Bidco to become the holder of your Integral Shares (such as a power of attorney) then, subject to sections 11.8(c) to 11.8(g) and the Corporations Act:

- (i) if those documents are given to Capitol Bidco with your acceptance, Capitol Bidco will pay you the consideration for your Integral Shares in accordance with section 11.8(a);
- (ii) if those documents are given to Capitol Bidco after your acceptance and before the end of the Offer Period, while this Offer is subject to a Defeating Condition, Capitol Bidco will pay you the consideration for your Integral Shares by the earlier of:
 - (A) one month after any contract resulting from your acceptance of this Offer becomes, or is declared, unconditional; and
 - (B) 21 days after the end of the Offer Period;
- (iii) if those documents are given to Capitol Bidco after your acceptance and before the end of the Offer Period, while this Offer is not subject to a Defeating

Condition, Capitol Bidco will pay you the consideration for your Integral Shares by the earlier of:

- (A) one month after Capitol Bidco is given those documents; and
- (B) 21 days after the end of the Offer Period; and
- (iv) if those documents are given to Capitol Bidco after the end of the Offer Period, Capitol Bidco will pay you the consideration for your Integral Shares within 21 days after those documents are given. However, if, at the time those documents are given to Capitol Bidco, the contract resulting from your acceptance of this Offer is still subject to a Defeating Condition in section 11.6, Capitol Bidco will pay you the consideration for your Integral Shares within 21 days after the contract becomes, or is declared, unconditional.

(c) Delivery of consideration

Payment of any cash amount to which you are entitled will be made by cheque drawn in Australian currency in your favour. The cheque will be sent to you, at your risk, by ordinary mail (or, in the case of Integral Shareholders with addresses outside Australia, by airmail) to your address shown on the Acceptance Form or the address for you last notified to Capitol by Integral.

(d) Rights

If Capitol Bidco becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give to Capitol Bidco all documents necessary to vest title to those Rights in Capitol Bidco, or otherwise to give Capitol Bidco the benefit or value of those Rights. If you do not do so, or if you have received or are entitled to receive (or any previous holder of your Integral Shares has received or is entitled to receive) the benefit of those Rights, Capitol Bidco will be entitled to deduct the amount (or an amount equal to the value, as reasonably assessed by Capitol) of those Rights from any consideration otherwise payable to you under this Offer. If Capitol Bidco does not, or cannot, make such a deduction, you must pay that amount to Capitol Bidco, except to the extent that Capitol Bidco elects to waive its entitlement to those Rights.

(e) Non-Australian residents

If, at the time of acceptance of this Offer, any authority or clearance of a Public Authority is required for you to receive any consideration under this Offer or you are resident in or a resident of a place to which, or you are a person to whom:

- (i) the *Banking (Foreign Exchange) Regulations 1959* (Cth);
- (ii) Part 4 of the *Charter of the United Nations Act 1945* (Cth);
- (iii) the *Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002* (Cth);
- (iv) the *Charter of the United Nations (Sanctions - Afghanistan) Regulations 2001* (Cth);
- (v) the *Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003* (Cth); or
- (vi) any other law of Australia that would make it unlawful for Capitol Bidco to provide consideration for your Integral Shares,

applies then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive the consideration specified in this Offer unless and until all requisite authorities or clearances have been obtained by Capitol Bidco.

(f) Withholding of consideration by Capitol Bidco

If any amount (the **withholding amount**) is required, under any Australian law or by any Public Authority, to be:

- (i) withheld from any consideration otherwise payable to you under this Offer and paid to a Public Authority; or
- (ii) retained by Capitol Bidco out of any consideration otherwise payable to you under this Offer,

the payment or retention by Capitol Bidco of the withholding amount (as applicable) will constitute full discharge of Capitol Bidco's obligation to pay the consideration to you to the extent of the withholding amount.

(g) Ineligible Foreign Shareholders

If you are an Ineligible Foreign Shareholder (or if Capitol Bidco believes that you are an Ineligible Foreign Shareholder) and you accept this Offer, you will not be entitled to receive Capitol Shares as part of the consideration for your Integral Shares.

Instead, you agree that:

- (i) Capitol Bidco will arrange for the issue to a nominee approved by ASIC of the ~~Integral~~ Capitol Shares to which you and all other Ineligible Foreign Shareholders would have been entitled but for this section 11.8(g) and the equivalent section in each other offer under this Offer;
- (ii) Capitol Bidco will cause those Capitol Shares to be offered for sale by the nominee on ASX or another relevant financial market licensed under section 795B of the Corporations Act through which retail clients may trade in securities as soon as practicable and otherwise in such manner, at such price and on such terms as are determined by the nominee;
- (iii) Capitol Bidco will cause the amount ascertained in accordance with the formula below to be paid to you:

$$\text{net proceeds of sale} \times \frac{\text{your Capitol Shares}}{\text{total Capitol Shares}}$$

where:

net proceeds of sale is the amount (if any) remaining after deducting the expenses of sale and any costs of appointing the nominee from the total proceeds of sale of the Capitol Shares issued to the nominee under this section 11.8(g) and the equivalent provision in each other offer under this Offer;

your Capitol Shares is the number of Capitol Shares that would, but for this section 11.8(g), have been issued to you under this Offer; and

total Capitol Shares is the total number of Capitol Shares issued to the nominee under this section 11.8(g) and the equivalent provision in each other offer under this Offer;

- (iv) payment of the amount calculated in accordance with section 11.8(g)(iii) will be made in accordance with section 11.8(c), and that under no circumstances will any interest be paid on or in relation to that amount, regardless of any delay in the remittance of the amount to you; and

- (v) you irrevocably appoint Capitol Bidco as your agent to receive any notice, including a Financial Services Guide (if any) (and any update of any such notice or document), that the nominee and/or its broker may provide under the Corporations Act and you acknowledge and agree that any such notice or document will be made available by Capitol Bidco on Capitol's website (www.capitolhealth.com.au).
- (h) Unmarketable Parcels of Capitol Shares
If the total number of Capitol Shares you are entitled to receive as consideration under this Offer is an Unmarketable Parcel, you will receive a cash amount for your Integral Shares calculated under section 11.8(g) as if you were an Ineligible Foreign Shareholder.

11.9 Offerees

- (a) Registered holders
Capitol Bidco is making an offer in the form of this Offer to:
 - (i) each person registered as the holder of Integral Shares in the register of members of Integral as at the Register Date; and
 - (ii) each person who, during the period from the Register Date to the end of the Offer Period, becomes registered or entitled to be registered as the holder of Integral Shares (whether or not they are registered or entitled to be registered as the holder of other Integral Shares) due to the conversion of, or exercise of rights attached to, other securities convertible into Integral Shares (including Integral Options) that are on issue at the Register Date.
- (b) Transferees
If at any time during the Offer Period another person is able to give good title to some or all of your Integral Shares, and that person has not already accepted an offer in the form of this Offer for those Integral Shares, then that person may accept as if an offer in the form of this Offer had been made to them in respect of those Integral Shares.
- (c) Trustees and nominees
If at any time during the Offer Period and before you accept this Offer your Integral Shares consist of two or more separate parcels within the meaning of section 653B of the Corporations Act (for example, because you hold your Integral Shares as trustee or nominee for, or otherwise on account of, several distinct beneficial owners), then you may accept as if a separate offer in the form of this Offer had been made in relation to each of those parcels (including any parcel you hold in your own right). Acceptance for any parcel of Integral Shares (including any parcel consisting of two or more parcels) is ineffective unless:
 - (i) you give Capitol Bidco notice stating that the Integral Shares consist of a separate parcel, such notice being:
 - (A) in the case of Integral Shares not in a CHESS Holding, in writing; or
 - (B) in the case of Integral Shares in a CHESS Holding, in an electronic form approved by the ASTC Settlement Rules for the purposes of Part 6.8 of the Corporations Act; and
 - (ii) your acceptance specifies the number of Integral Shares in the parcel.

- (d) Integral Shares subject to Integral transfer restrictions

If at any time during the Offer Period some of your Integral Shares are subject to transfer restrictions imposed by Integral (for example, because you hold some of your Integral Shares under an employee incentive plan or escrow arrangement), then you may accept ~~as if a separate offer in the form of this Offer had been made in relation to this Offer only after such transfer restrictions are released or otherwise cease. Otherwise, any acceptance of the Offer for~~ the balance of your Integral Shares. ~~Acceptance for the balance of your Integral Shares is ineffective unless you give Capitol Bidco notice stating the number of your Integral Shares that are subject to a transfer restriction and explaining the nature of the restriction, and your acceptance specifies the balance of your Integral Shares~~(that are not subject to such transfer restrictions) is ineffective.

11.10 Additional copies of Offer documents

If, for the purpose of accepting this Offer, you require additional copies of this Bidder's Statement and the Acceptance Form, please call the Capitol Offer Information Line on 1300 090 799 (toll-free within Australia) or +61 3 9415 4322 (from outside Australia), Monday to Friday between 8.30am and 5.00pm (Melbourne time) to request those additional copies.

11.11 Official quotation of Capitol Shares

- (a) This Offer and any contract resulting from your acceptance of this Offer are subject to the condition set out in section 625(3) of the Corporations Act as varied by the Court (see section 10.20). If that condition is not fulfilled, any contract resulting from your acceptance of this Offer will be automatically void.
- (b) The condition set out in section 625(3) of the Corporations Act is not a defeating condition for the purposes of the Corporations Act, and is not of the same nature as the Defeating Conditions set out in section 11.6. Section 625(3) of the Corporations Act provides that this Offer cannot be freed of the condition prescribed in that section, and consequently no statement made by Capitol Bidco, or any other member of the Capitol Group, can be taken to be a waiver of that condition.
- (c) Capitol has been admitted to the Official List of ASX and shares in Capitol of the same class as those to be issued as consideration under this Offer have been granted official quotation by ASX. An application ~~will be made within seven days after the date of this Bidder's Statement was made on 17 January 2018~~ for granting of Official Quotation official quotation of the Capitol Shares to be issued as consideration under this Offer. However, official quotation of securities by ASX is not granted automatically on application.

11.12 Variation and withdrawal of Offer

- (a) Variation

Capitol Bidco may vary this Offer in accordance with the Corporations Act.

- (b) Withdrawal

This Offer may be withdrawn with the written consent of ASIC, which consent may be subject to conditions. If so, Capitol will give notice of the withdrawal to ASX and to Integral and will comply with any other conditions imposed by ASIC.

11.13 Costs and stamp duty

Capitol Bidco will pay all costs and expenses of the preparation and circulation of this Offer and any Australian stamp duty payable on the transfer of any Integral Shares to Capitol Bidco under this Offer.

11.14 Governing law and jurisdiction

This Offer and any contract resulting from your acceptance of this Offer are governed by the laws of Victoria, Australia. In relation to them and related non contractual matters each party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.

12 Definitions and Interpretation

12.1 Definitions

In this Bidder's Statement and in the Acceptance Form, unless the context requires otherwise:

ACCC means the Australian Competition and Consumer Commission.

Acceptance Form means the acceptance form enclosed with this Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by or on behalf of Capitol Bidco.

Announcement Date means 29 November 2017.

Approval means:

- (a) a consent, authority, licence, approval, order, ruling, notice, waiver or exemption that is required or given under law or by a Public Authority; or
- (b) in relation to anything that will be fully or partly prohibited or restricted by law if a Public Authority intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry or termination of that period without intervention or action.

ASIC means the Australian Securities and Investments Commission.

ASIC Instrument has the meaning given in section 10.10.

associate has the meaning given in the Corporations Act.

ASTC means ASX Settlement Pty Limited (ABN 49 008 504 532).

ASTC Settlement Rules means the operating rules of the settlement facility provided by ASTC.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market operated by it.

ASX Listing Rules means the Listing Rules of ASX.

Bidder's Statement means this document, being the statement of Capitol Bidco under Part 6.5 of the Corporations Act relating to the Offer and includes any replacement or supplementary bidder's statement.

Capital Radiology has the meaning given in section 10.2(a).

Capitol means Capitol Health Limited (ABN 84 117 391 812).

Capitol AGM has the meaning given in section 3.4.

Capitol Awards has the meaning given in section 3.4.

Capitol Bidco means Capitol Health Holdings Pty Limited (ABN 41 623 058 499).

Capitol Bidco Directors means the directors of Capitol Bidco as set out in section 2.4.

Capitol Board means the board of directors of Capitol.

Capitol Directors means the directors of Capitol as set out in section 2.3.

Capitol Group means Capitol and its Related Bodies Corporate as at the date of this Bidder's Statement, including Capitol Bidco.

Capitol Incentive Plan has the meaning given in section 3.4.

Capitol Options has the meaning given in section 3.4.

Capitol Performance Rights has the meaning given in section 3.4.

Capitol Share means a fully paid ordinary share in Capitol.

Capitol Shareholder means a holder of Capitol Shares.

Capitol Share Consideration has the meaning given in section 8.2.

Capitol's Unsecured Notes means the Australian dollar, unsecured, subordinated notes issued by Capitol Treasury Pty Ltd (ACN 611 139 194) and guaranteed by Capitol and certain subsidiaries of Capitol.

Certain Funds Period has the meaning given in section 9.3(d).

CGT has the meaning given in section 8.2.

CHESS means the Clearing House Electronic Subregister System, which provides for the electronic transfer, settlement and registration of securities in Australia.

CHESS Holding means a holding of Integral Shares on the CHESS Subregister of Integral.

CHESS Subregister has the meaning given in the ASTC Settlement Rules.

CITIC Pharmaceutical has the meaning given in section 1.4.

Combined Group means the Capitol Group following the acquisition of at least 50.1% of Integral Shares on issue under the Offer, on the assumption that at this level of ownership Capitol will have the capacity to control Integral.

Commitment Letter has the meaning given in section 9.3(d).

Controlling Participant has the meaning given in the ASTC Settlement Rules. Usually your **Controlling Participant** is a person, such as a broker, with whom you have a sponsorship agreement (within the meaning of the ASTC Settlement Rules).

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of Victoria.

Defeating Condition means each condition set out in section 11.6.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Eligible Participant has the meaning given in section 3.4.

Encumbrance means an interest or power:

- (a) reserved in or over any interest in any asset including any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and includes any agreement to grant or create any of the above.

Existing ANZ Debt has the meaning given in section 9.3(d).

Financing Conditions Precedent has the meaning given in section 9.3(d).

FY15 means the financial year ended 30 June 2015.

FY16 means the financial year ended 30 June 2016.

FY17 means the financial year ended 30 June 2017.

FY18 means the financial year ending 30 June 2018.

GST means the goods and services tax imposed under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and the related imposition acts of the Commonwealth of Australia.

Holder Identification Number means the number used to identify an Integral Shareholder on the CHESS Subregister of Integral.

Ineligible Foreign Shareholder means an Integral Shareholder whose address as shown in the register of members of Integral is in a jurisdiction other than Australia unless Capitol is satisfied that it is not precluded from lawfully issuing Capitol Shares either unconditionally or after compliance with conditions that Capitol regards as acceptable and not unduly onerous.

Integral means Integral Diagnostics Limited (ABN 55 130 832 816).

Integral Board means the board of directors of Integral.

Integral Director means a director on the Integral Board.

Integral Group means Integral and its Related Bodies Corporate as at the date of this Bidder's Statement.

Integral LTI Rights has the meaning given in section 4.8.

Integral Options has the meaning given in section 4.4.

Integral Performance Rights has the meaning given in section 4.4.

Integral Shareholder means a person registered in the register of members of Integral as a holder of Integral Shares.

Integral Shares means fully paid ordinary shares in Integral.

Interested Person has the meaning given in section 10.4.

Investigating Accountant means [RSM Corporate Australia Pty Ltd.](#)

Investigating Accountant's Report means [the report prepared by the Investigating Accountant attached at Annexure B to this Bidder's Statement.](#)

I-rad Acquisition Agreement has the meaning given in section 10.2(a).

I-rad has the meaning given in 10.2(a).

Issuer Sponsored Holding means a holding of Integral Shares on the Issuer Sponsored Subregister of Integral.

Issuer Sponsored Subregister has the meaning given in the ASTC Settlement Rules.

Loan Facility Agreement has the meaning given in section 9.3(d).

MBS means the Medicare Benefits Schedule.

NAB means National Australia Bank Limited (ABN 12 004 044 937).

Offer means, as the context requires, the offer for Integral Shares contained in section 11, or the off-market takeover bid constituted by that offer and each other offer by Capitol Bidco for Integral Shares in the form of that offer, including in each case as varied in accordance with the Corporations Act.

Offer Amount has the meaning given in section 7.1.

Offer Period means the period during which the Offer will remain open for acceptance in accordance with section 11.2.

Public Authority means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any securities exchange.

Radiology Tasmania has the meaning given in section 10.2(b).

Radiology Tasmania Agreement has the meaning given in section 10.2(b).

Referrer has the meaning given in section 9.2(f).

Register Date means 7.00pm on 2 January 2018 (Melbourne time), being the date set by Capitol Bidco under section 633(2) of the Corporations Act.

Related Body Corporate has the meaning given in the Corporations Act.

relevant interest has the meaning given in the Corporation Act.

Rights means all accretions, rights and benefits of whatever kind attaching to or arising from Integral Shares directly or indirectly at or after the date of this Bidder's Statement (including all dividends and all rights to receive them and rights to receive or subscribe for shares, notes, bonds, options or other securities or entitlements declared, paid or issued by Integral or any Subsidiary of Integral).

Securityholder Reference Number means the number allocated by Integral to identify an Integral Shareholder on the Issuer Sponsored Subregister of Integral.

Subsidiary has the meaning given in the Corporations Act.

Takeover Transferee Holding has the meaning given in the ASTC Settlement Rules, being the CHESS Holding to which Integral Shares are to be transferred pursuant to acceptances of the Offer.

Target's Statement means the target's statement to be prepared in relation to the Offer and includes any supplementary target's statement.

Term Loan Facility has the meaning given in section 9.3(d).

Unmarketable Parcel means a number of Capitol Shares which is less than a marketable parcel under the market rules of ASX.

Unmarketable Parcel Holder means an Integral Shareholder who, but for section 11.8(h), would receive an Unmarketable Parcel as consideration under the Offer.

VWAP means, in respect of a security, the volume weighted average market price of the security sold on its principal securities exchange during normal trading in the relevant period or on the relevant days, but does not include any 'special' crossings prior to the commencement of normal trading, crossings during the after hours adjust phase or the exercise of options over the security.

your Integral Shares means:

- (a) the Integral Shares in respect of which you are registered or entitled to be registered as a holder in the register of members of Integral at the Register Date, and in respect of which no other person becomes registered or entitled to be registered as a holder before you accept the Offer; and
- (b) any other Integral Shares to which you are able to give good title at the time you accept the Offer (including any Integral Shares in respect of which you become registered or entitled to be registered as a holder due to the conversion of, or exercise of rights attached to, other securities convertible into Integral Shares (including Integral Options) that are on issue at the Register Date).

Valuation Date has the meaning given in section 10.10.

Zhouxin has the meaning given in section 1.4.

12.2 Interpretation

- (a) In this Bidder's Statement and in the Acceptance Form, headings are for convenience only and do not affect interpretation.
- (b) Mentioning anything after includes, including, for example, or similar expressions, does not limit what else might be included.

- (c) The following rules apply unless the context requires otherwise.
- (i) The singular includes the plural, and the converse also applies.
 - (ii) A gender includes all genders.
 - (iii) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
 - (iv) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
 - (v) A reference to a section or Annexure is a reference to a section of, or Annexure to, this Bidder's Statement.
 - (vi) A reference to a person includes the person's successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal personal representatives).
 - (vii) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, any legislative provision substituted for it and a regulation or statutory instrument issued under it.
 - (viii) A reference to any instrument or document includes any variation or replacement of it.
 - (ix) A term not specifically defined in this Bidder's Statement has the meaning given to it in the Corporations Act (being, if any special meaning is given for the purposes of Chapter 6 or 6A of the Corporations Act or a provision of those chapters, that special meaning).
 - (x) A reference to time is to Melbourne time.
 - (xi) A reference to *dollars*, \$ or A\$ is to Australian currency.
 - (xii) A reference to you is to a person to whom the Offer under section 11 is (or is deemed to be) made.

13 Approval of Bidder's Statement

This Bidder's Statement has been approved by a resolution of the Capitol Bidco Directors.

Dated ~~22 December 2017~~ 31 January 2018.

Signed on behalf of Capitol Health Holdings Pty Limited:

A handwritten signature in dark ink, appearing to read 'Andrew Harrison', with a stylized flourish at the end.

Andrew Harrison
Director

Annexure A

ASX Announcements in relation to Integral since 24 August 2017

No	Document Name	Date
<u>1.</u>	<u>Release from Escrow</u>	<u>29/01/18</u>
<u>2.</u>	<u>FY18 Half Year Results Audio Recording</u>	<u>22/01/18</u>
<u>3.</u>	<u>FY18 Half Year Results Presentation</u>	<u>19/01/18</u>
<u>4.</u>	<u>Media Release FY18 Half Year Results</u>	<u>19/01/18</u>
<u>5.</u>	<u>Dividend/Distribution – IDX</u>	<u>19/01/18</u>
<u>6.</u>	<u>Half Yearly Report and Appendix 4D</u>	<u>19/01/18</u>
<u>7.</u>	<u>FY18 Half Year Results Release</u>	<u>18/01/18</u>
<u>8.</u>	<u>Change in substantial holding</u>	<u>17/01/18</u>
<u>9.</u>	<u>Material Upgrade to FY18 guidance</u>	<u>12/01/18</u>
<u>10.</u>	<u>Integral Diagnostics' Letter to Shareholders</u>	<u>22/12/17</u>
<u>11.</u>	<u>Capitol Bidder's Statement</u>	<u>22/12/17</u>
<u>12.</u> 4-	Release from Escrow	20/12/17
<u>13.</u> 2-	Appendix 3B - Issue of Rights to Ian Kadish	18/12/17
<u>14.</u> 3-	Change of Director's Interest Notice - Ian Kadish	18/12/17
<u>15.</u> 4-	Letter to Shareholders regarding Capitol takeover offer	12/12/17
<u>16.</u> 5-	Change in substantial holding	08/12/17
<u>17.</u> 6-	Change of Director's Interest Notice - Raelene Murphy	04/12/17
<u>18.</u> 7-	Appointment of CFO	30/11/17
<u>19.</u> 8-	Initial response to hostile takeover offer from CAJ - date	29/11/17
<u>20.</u> 9-	Initial response to hostile takeover offer from CAJ	29/11/17
<u>21.</u> 40-	Becoming a substantial holder	29/11/17
<u>22.</u> 41-	CAJ: Presentation - Capitol's Offer for Integral Diagnostics	29/11/17
<u>23.</u> 42-	CAJ: Intention to make a t/o offer for Integral Diagnostics	29/11/17
<u>24.</u> 43-	Change of Director's Interest Notice - Ian Kadish	28/11/17
<u>25.</u> 44-	Change of Director's Interest Notice - Raelene Murphy	27/11/17
<u>26.</u> 45-	Results of Annual General Meeting	22/11/17
<u>27.</u> 46-	CEO AGM Presentation including Outlook	22/11/17
<u>28.</u> 47-	Chairman & CEO Addresses to Shareholders	22/11/17
<u>29.</u> 48-	Initial Director's Interest Notice – Raelene Murphy	13/11/17
<u>30.</u> 49-	UBS Conference Presentation	13/11/17
<u>31.</u> 20-	Notice of Annual General Meeting/Proxy Form	23/10/17
<u>32.</u> 24-	Appointment of Non-Executive Director – Raelene Murphy	28/09/17

<u>33.</u> 22.	Release from Escrow	21/09/17
<u>34.</u> 23.	Date of 2017 AGM	13/09/17
<u>35.</u> 24.	Becoming a substantial shareholder	12/09/17
<u>36.</u> 25.	Change in substantial holding from IFL	06/09/17
<u>37.</u> 26.	Ceasing to be a substantial holder	05/09/17
<u>38.</u> 27.	Change of registered address	01/09/17
<u>39.</u> 28.	Change in substantial holding from IFL	28/08/17
<u>40.</u> 29.	Corporate Governance Statement	24/08/17
<u>41.</u> 30.	FY17 Results Presentation	24/08/17
<u>42.</u> 31.	FY17 Results Media Release	24/08/17
<u>43.</u> 32.	Dividend/Distribution - IDX	24/08/17
<u>44.</u> 33.	Appendix 4G	24/08/17
<u>45.</u> 34.	Appendix 4E and Annual Report 2017	24/08/17

Annexure B

Investigating Accountant's Report



RSM Corporate Australia Pty Ltd

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PO Box 248 Collins Street West VIC 8007

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www.rsm.com.au

31 January 2018

The Directors, Capitol Health Ltd
The Directors, Capitol Health Holdings Pty Ltd
Level 3, 81 Lorimer Street
Docklands VIC 3008

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

Independent Limited Assurance Report on the Historical, Pro-Forma Historical Forecast, Pro-Forma Forecast and Statutory Forecast Financial Information

We have been engaged by Capitol Health Ltd ("Capitol") and Capitol Health Holdings Pty Ltd ("Capitol Bidco") to report on certain historical, pro-forma historical, forecast, pro-forma forecast and statutory forecast financial information of Capitol and Integral Diagnostics Ltd ("Integral"), for inclusion in a bidder's statement dated on or about 31 January 2018 ("the Bidder's Statement").

On 29 November 2017, Capitol announced a proposal to acquire via its wholly owned subsidiary Capitol Bidco, all of Integral's shares by way of an off-market takeover bid for consideration of 6.9 Capitol shares and \$0.36 cash for each ordinary voting share on issue in Integral. The Bidder's Statement is being issued by Capitol Bidco to the Integral Shareholders and contains information on why Integral Shareholders should accept the takeover offer ("Offer").

Expressions and terms defined in the Bidder's Statement have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence ("AFSL") under the Corporations Act 2001. RSM Corporate Australia Pty Ltd holds the appropriate AFSL under the *Corporations Act 2001*.

Scope

Historical Financial Information

You have requested RSM Corporate Australia Pty Ltd ("RSM") to review the historical financial information of Capitol, Integral, Radiology Tasmania and I-rad included in sections 2.6, 4.10 and 6.7 of the Bidder's Statement, respectively, and comprising:

- the audited consolidated statements of financial position of Capitol and Integral as at 30 June 2017
- the reviewed consolidated statement of financial position of Integral as at 31 December 2017;
- the unaudited combined statement of financial position of Radiology Tasmania and I-rad as at 30 June 2017;

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RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

- the audited consolidated statements of profit and loss of Capitol and Integral for the three years ended 30 June 2017;
- the reviewed consolidated statements of profit and loss of Integral for the six months ended 31 December 2016 and 2017;
- the audited consolidated statements of cash flows of Capitol and Integral for the three years ended 30 June 2017; and
- the reviewed consolidated statements of cash flows of Integral for the six months ended 31 December 2016 and 2017.

The historical financial information of Capitol has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Capitol's adopted accounting policies.

The historical financial information of Capitol has been extracted from the financial reports of Capitol for the three years ended 30 June 2017, which was audited by RSM Australia Partners ("RSM Australia") and on which an unqualified audit opinion was issued for each financial year.

The historical financial information of Integral has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Integral's adopted accounting policies.

The historical financial information of Integral has been extracted from the audited or reviewed financial reports of Integral for the three years ended 30 June 2017 and the six months ended 31 December 2016 and 2017 on which unqualified audit opinions were issued for each financial period.

The historical financial information of Radiology Tasmania and I-rad has been extracted from the unaudited financial statements of Radiology Tasmania and I-rad for the year ended 30 June 2017.

The historical financial information is presented in the Bidder's Statement in an abbreviated form, insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro-Forma Historical Financial Information

You have requested RSM to review the pro-forma historical financial information included in Section 6.7 of the Bidder's Statement and comprising:

- the pro-forma consolidated statement of financial position as at 30 June 2017;
- the pro-forma consolidated statements of profit and loss for the three years ended 30 June 2017; and
- the pro-forma consolidated statements of cash flows for the three years ended 30 June 2017.

The pro-forma historical financial information has been prepared on the basis of Capitol acquiring a 100% relevant interest in Integral and on the basis of Capitol acquiring a 50.1% relevant interest in Integral.

The pro-forma historical financial information has been derived from:

- the audited historical financial information of Capitol and Integral;

- the removal of the financial impact of the NSW Radiology businesses that were disposed by Capitol on 31 August 2017;
- the removal of the impact of non-recurring income and expenses within Capitol and Integral within each respective financial year to demonstrate the underlying normalised earnings of each entity; and
- the pro-forma adjustments applied to the historical financial information to illustrate the effect of events and transactions relating to the Offer as described in Section 6.8 of the Bidder's Statement.

The stated basis of preparation of the pro-forma historical financial information is the recognition and measurement principles contained in Australian Accounting Standards and Capitol's adopted accounting policies applied to the historical financial information, to the extent stated in Section 6.8 of the Bidder's Statement, the events or transactions to which the pro-forma adjustments as described in Section 6.8 of the Bidder's Statement, as if those events or transactions had occurred as at the relevant dates of the historical financial information.

Due to its nature, the pro-forma historical financial information does not represent Capitol's actual or prospective financial position.

The pro-forma historical financial information is presented in the Bidder's Statement in an abbreviated form, insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Forecast, Pro-Forma Forecast and Statutory Financial Information

You have asked RSM Corporate Australia Pty Ltd to review the forecast and pro-forma forecast financial information, as set out in Section 6.9 of the Bidder's Statement and comprising

- the forecast income statement of Capitol for the year ending 30 June 2018 on a stand-alone basis and excluding the forecast impact of
 - the acquisition of Radiology Tasmania and I-rad; and
 - the actual contributions of the NSW radiology businesses for the 2 months to 31 August 2017;
- the forecast income statement of Radiology Tasmania and I-rad for the year ending 30 June 2018 on a stand-alone basis;
- the forecast statement of profit and loss of Integral for the year ending 30 June 2018 on a stand-alone basis;
- the pro-forma consolidated forecast statement of profit and loss of the Combined Group for the year ending 30 June 2018;
- the statutory consolidated forecast statement of profit and loss of the Combined Group for the year ending 30 June 2018; and
- pro-forma forecast debt covenant ratios for the year ending 30 June 2018.

The forecast, pro-forma forecast and statutory forecast financial information has been prepared on the basis of Capitol acquiring a 100% relevant interest in Integral and on the basis of Capitol acquiring a 50.1% relevant interest in Integral.

The forecast, pro-forma forecast and statutory forecast financial information has been derived from:

- Capitol management's financial forecast for Capitol based on actual results for the period to 31 December 2017 excluding the contributions relation to the NSW radiology businesses and forecast results for the 6 months ending 30 June 2018;
- Capitol management's financial forecasts for RT Radiology and I rad Sunshine based on actual results for the period to 31 October 2017 and 30 September 2017, respectively and forecast results for the remainder of the year ending 30 June 2018; and
- Broker forecasts for the year ending 30 June 2018 for Integral.

The stated basis of preparation used in the preparation of the pro-forma forecast financial information is the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast and, to the extent described in Sections 6.10, 6.11 and 6.12, the events and transactions to which the pro-forma adjustments relate as if those events and transactions had occurred on the stated dates. Accordingly, and due to its nature and basis of preparation, the pro-forma forecast financial information does not represent the Combined Group's actual prospective financial performance.

The forecast and pro-forma forecast financial information is presented in the Bidder's Statement in an abbreviated form, insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Directors' responsibility

The directors of the Capitol Bidco are responsible for:

- the preparation and presentation of the historical financial information;
- the preparation and presentation of the pro-forma historical financial information, including the selection and determination of pro-forma adjustments made to the historical financial information and included in the pro-forma historical financial information;
- the preparation of the forecast and pro-forma forecast financial information, including the best estimate assumptions underlying the forecast and the selection and determination of pro-forma adjustments made to the forecast and included in the forecast and pro-forma forecast financial information; and
- this includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information, the pro-forma historical financial information, the forecast financial information and the pro-forma forecast financial information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

We made such enquiries, primarily of persons responsible for financial and accounting matters, and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a consistency check of the application of the stated basis of preparation, to the historical, pro-forma historical, forecast and pro-forma forecast financial information;
- a review of Capitol's work papers, accounting records and other supporting documents;
- enquiry of directors, management personnel and advisors;
- consideration of the pro-forma adjustments described in Sections 6 of Bidder's Statement; and
- the performance of analytical procedures applied to the historical, pro-forma historical, forecast and pro-forma forecast financial information.

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 reasonable 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.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as source of the financial information.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information of both Capitol and Integral, as described in Sections 2.6 and 4.10 of the Bidder's Statement, respectively and comprising:

- the audited consolidated statements of financial position of Capitol and Integral as at 30 June 2017
- the reviewed consolidated statement of financial position of Integral as at 31 December 2017;
- the unaudited combined statement of financial position of Radiology Tasmania and I-rad as at 30 June 2017;
- the audited consolidated statements of profit and loss of Capitol and Integral for the three years ended 30 June 2017;
- the reviewed consolidated statements of profit and loss of Integral for the six months ended 31 December 2016 and 2017;
- the audited consolidated statements of cash flows of Capitol and Integral for the three years ended 30 June 2017; and
- the reviewed consolidated statements of cash flows of Integral for the six months ended 31 December 2016 and 2017.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2.6, 4.10 and 6.9 of the Bidder's Statement.

Pro-Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro-forma historical financial information, as set out in Section 6.7 of the Bidder's Statement, and comprising:

- the pro-forma consolidated statement of financial position as at 30 June 2017; and
- the pro-forma consolidated statements of profit and loss for the three years ended 30 June 2017; and
- the pro-forma consolidated statements of cash flows for the three years ended 30 June 2017.

is not presented fairly in all material aspects, in accordance with the stated basis of preparation, as described in Section 6.8 of the Bidder's Statement.

Forecast and Pro-Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the forecast, pro-forma forecast and statutory forecast financial information do not provide reasonable grounds for the forecasts, pro-forma forecast and statutory forecast; and
- in all material aspects, the forecast, pro-forma forecast and statutory forecast financial information comprising:
 - the forecast income statement of Capitol for the year ending 30 June 2018 on a stand-alone basis and excluding the forecast impact of
 - the acquisition of Radiology Tasmania and I-rad; and
 - the actual contributions of the NSW radiology businesses for the 2 months to 31 August 2017;
 - the forecast income statement of Radiology Tasmania and I-rad for the year ending 30 June 2018 on a stand-alone basis;
 - the forecast statement of profit and loss of Integral for the year ending 30 June 2018 on a stand-alone basis;
 - the pro-forma consolidated forecast statement of profit and loss of the Combined Group for the year ending 30 June 2018;
 - the statutory consolidated forecast statement of profit and loss of the Combined Group for the year ending 30 June 2018
 - pro-forma forecast debt covenant ratios for the year ending 30 June 2018.

as set out in Section 6.9 of the Bidder's Statement:

- are not prepared on the basis of the directors' best-estimate assumptions, as described in Sections 6.10, 6.11 and 6.12 of the Bidder's Statement; and
- are not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Capitol's



adopted accounting policies, applied to the forecast and pro-forma adjustments as if those adjustments had occurred as at the date of the forecast; and

- the forecast, pro-forma forecast, and statutory forecast financial information is unreasonable.

Important Information in relation to the Forecast, Pro-Forma Forecast and Statutory Forecast Financial Information

The forecast, pro-forma forecast and statutory forecast financial information have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of Capitol following the proposed transaction.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the forecast and pro-forma forecast since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the forecast, pro-forma forecast and statutory forecast financial information are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Capitol.

Evidence may be available to support the directors' best-estimate assumptions on which the forecast, pro-forma forecast and statutory forecasts are based, however, such evidence is generally future-orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. However, as stated above, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the directors' best-estimate assumptions used in the preparation of the forecast, pro-forma forecast and statutory forecast financial information do not provide reasonable grounds for the forecast, pro-forma forecast and statutory forecast. The limited assurance conclusion expressed in this report has been formed on the above basis.

Integral Shareholders should be aware of the material risks and uncertainties in relation to an investment in Capitol, which are detailed at Section 9 of the Bidder's Statement, and the inherent uncertainty relating to the forecast and pro-forma forecast. Accordingly, prospective investors should have regard to the investment risks and as described in Section 9 of the Bidder's Statement.

We express no opinion as to whether the forecast, pro-forma forecast or statutory forecast financial information will be achieved.

The forecast, pro-forma forecast and statutory forecast financial information have been prepared by the directors for the purpose of providing Integral Shareholders with information on whether or not to accept the Offer. We disclaim any assumption of responsibility for any reliance on this report, or on the forecast or pro-forma forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Capitol, that all material information concerning the prospects and proposed operations of Capitol has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

**Restriction on Use**

Without modifying our conclusions, we draw attention to Section 6.10, which describes the purpose of the financial information, being for inclusion in the Bidder's Statement. As a result, the financial information may not be suitable for use for another purpose.

Declaration of Interest

RSM Corporate Australia Pty Ltd does not have any interest in the outcome of this transaction other than the preparation of this report for which normal professional fees will be received.

Financial Services Guide (FSG)

We have attached our FSG at Appendix A to this IAR. The FSG is designed to assist retail clients in their use of any general financial product advice in our IAR.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD
Glyn Yates
Director

APPENDIX A – FINANCIAL SERVICES GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 AFSL 255 847 (RSM Corporate or we or us or ours as appropriate) has been engaged to issue general financial product advice in the form of an independent limited assurance report (the IAR) to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (FSG). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purpose of our report and this FSG, the financial service which we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General financial product advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing various different financial services. However, in respect of the financial services being provided to you by us, fees will be agreed with, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; Capitol will pay our fees. These fees are disclosed in the Bidder's Statement to which this FSG is included.

Except for the fees referred to above, neither RSM Corporate, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All of our employees who provide or provided services in relation to the financial services being provided to you receive a salary. However, other employees of RSM Corporate may be remunerated in other ways, such as salaries with the



entitlement to earn a bonus, depending on meeting revenue, compliance and marketing targets throughout any given financial year. Such other remuneration structures are not relevant to the financial services being provided to you.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate is wholly owned by the partners of RSM Australia Pty Limited (RSP Australia), a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate, RSM Australia Partners, RSM Australia and / or RSM related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Corporate Australia Pty Ltd, PO Box R1253, Perth, WA, 6844, +61 (0) 8 9261 9100.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to external dispute resolution scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out in our letterhead on the first page of the report to which this FSG is attached.

Annexure C

ASX Announcements in relation to Capitol since 30 June 2017

No	Document Name	Date
<u>1.</u>	<u>Trading Halt</u>	<u>31/01/18</u>
<u>1.2.</u>	<u>Completion of I-Rad Acquisition and New Clinic Openings</u>	<u>23/01/18</u>
<u>2.3.</u>	<u>Appendix 3B</u>	<u>17/01/18</u>
<u>3.4.</u>	<u>IDX: Integral Diagnostics' Letter to Shareholders</u>	<u>22/12/17</u>
<u>4.5.</u>	<u>IDX: Capitol Bidder's Statement</u>	<u>22/12/17</u>
<u>5.6.1.</u>	Investor Update – Acquisition of Radiology Tasmania	21/12/17
<u>6.7.2.</u>	Acquisition of Radiology Tasmania Group	21/12/17
<u>7.8.3.</u>	Acquisition of I-Rad Radiology and New Clinic Openings	18/12/17
<u>8.9.4.</u>	Trading Halt	18/12/17
<u>9.10.</u> -	IDX: Letter to Shareholders regarding Capitol takeover offer	12/12/17
<u>10.11.</u> -	Change of Director's Interest Notice	04/12/17
<u>11.12.</u> -	Appendix 3B	04/12/17
<u>12.13.</u> -	IDX: Initial response to hostile t/o offer from CAJ - date	29/11/17
<u>13.14.</u> -	IDX: Initial response to hostile takeover offer from CAJ	29/11/17
<u>14.15.</u> <u>0.</u>	Presentation - Capitol's Offer for Integral Diagnostics	29/11/17
<u>15.16.</u> <u>4.</u>	Intention to make a takeover offer for Integral Diagnostics	29/11/17
<u>16.17.</u> <u>2.</u>	Share capital reduction - Section 258F	27/11/17
<u>17.18.</u> <u>3.</u>	Results of Annual General Meeting	22/11/17
<u>18.19.</u> <u>4.</u>	Managing Director's Presentation	22/11/17
<u>19.20.</u> <u>5.</u>	Notice of Annual General Meeting/Proxy Form	21/10/17
<u>20.21.</u> <u>6.</u>	Notification of cancellation of shares - Form 484	25/09/17
<u>21.22.</u> <u>7.</u>	Daily share buy-back notice - Appendix 3E	18/09/17
<u>22.23.</u>	Daily share buy-back notice - Appendix 3E	15/09/17

8.		
23.24. 9.	Daily share buy-back notice - Appendix 3E	14/09/17
24.25. 0.	Daily share buy-back notice - Appendix 3E	13/09/17
25.26. 1.	Daily share buy-back notice - Appendix 3E	12/09/17
26.27. 2.	Daily share buy-back notice - Appendix 3E	11/09/17
27.28. 3.	Daily share buy-back notice - Appendix 3E	08/09/17
28.29. 4.	Daily share buy-back notice - Appendix 3E	07/09/17
29.30. 5.	Daily share buy-back notice - Appendix 3E	06/09/17
30.31. 6.	Initial Director's Interest Notice	05/09/17
31.32. 7.	Appointment of Non-Executive Director	05/09/17
32.33. 8.	Daily share buy-back notice - Appendix 3E	05/09/17
33.34. 9.	NSW Asset Sale Completed	01/09/17
34.35. 0.	Ceasing to be a substantial shareholder from WMI	30/08/17
35.36. 1.	Ceasing to be a substantial shareholder from WAA	30/08/17
36.37. 2.	Ceasing to be a substantial shareholder from WAM	30/08/17
37.38. 3.	Section 708A Cleansing Notice and Appendix 3B	28/08/17
38.39. 4.	FY2017 Results Presentation	25/08/17
39.40. 5.	Appendix 4G and Corporate Governance Statement	25/08/17
40.41. 6.	FY2017 Results Release	25/08/17
41.42. 7.	Appendix 4E and FY2017 Annual Report	25/08/17
42.43. 8.	Capitol Health announces on-market share buy-back	18/08/17
43.44.	Section 708A Cleansing Notice and Appendix 3B	10/08/17

9.		
44.45. 0.	Preliminary Full Year Results	10/08/17
45.46. 1.	Ceasing to be a substantial holder from AEF	28/07/17
46.47. 2.	Change in substantial holding from AEF	26/07/17
47.48. 3.	Update on Sale of NSW Assets	19/07/17

Corporate Directory

Capitol

Capitol Health Limited
Level 3, 81 Lorimer Street
Docklands Victoria 3008

Capitol Bidco

Capitol Health Holdings Pty Limited
Level 3, 81 Lorimer Street
Docklands Victoria 3008

Capitol Offer Information Line

If you have any questions in relation to the Offer or how to accept it, or if you have lost your Acceptance Form and require a replacement, please call the Capitol Offer Information Line, Monday to Friday between 8.30am and 5.00pm (Melbourne time) on the following numbers:

Within Australia: 1300 090 799 (toll free)

Outside Australia: +61 3 9415 4322

Please note that, as required by the Corporations Act, calls to these numbers will be recorded.

Registry for the Offer

You can contact Capitol's share registrar (Computershare) at the addresses set out below:

(For Post)

Computershare Investor Services Pty Limited
Integral Takeover Offer
GPO Box 52
Melbourne Victoria 3001
Australia

Capitol Health Holdings Pty Limited

ABN 41 623 058 499

(A wholly-owned subsidiary of Capitol Health Limited (ABN 84 117 391 812))

MR SAM SAMPLE
UNIT 123
SAMPLE STREET
SAMPLETOWN NSW 2001

Return your Form:



To Your Controlling Participant:

Return this form directly to your stockbroker



By Mail:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne Victoria 3001
Australia

For all enquiries:



Phone:

(within Australia) 1300 090 799
(outside Australia) +61 3 9415 4322

Transfer and Acceptance Form

CHESS



Your form must be received with sufficient time to allow processing prior to the end of the Offer Period.

This form and the Bidder's Statement are important documents that require your immediate attention. This form relates to an offer ("Offer") by Capitol Health Holdings Pty Limited (ABN 41 623 058 499) ("Capitol Bidco"), a wholly-owned subsidiary of Capitol Health Limited (ABN 84 117 391 812), to acquire all of your shares in Integral Diagnostics Limited (ABN 55 130 832 816) ("Integral") the terms and conditions of which are set out in the Bidder's Statement from Capitol Bidco dated XX December 2017 as may be replaced or supplemented (the "Bidder's Statement"). Capitalised terms used in this form have the same meaning as in the Bidder's Statement, unless otherwise defined.

If you are in doubt about how to deal with this Offer, please contact your financial or other professional advisor.

Note this form can only be used in relation to the securityholding represented by the details printed above and overleaf.

Step 1: Registration Name & Offer Details

Your consideration will be issued to the name(s) as they appear on the latest copy of the Integral register, as provided to Capitol Bidco. The current address recorded by Capitol Bidco is printed above and overleaf. If you have recently bought or sold Integral Shares your holding may differ from that shown. If you have already sold all your Integral Shares, do not complete or return this form.

Step 2: Accept the Offer

Only sign and return this form if you wish to accept the Offer for ALL of your Integral Shares.

As your Integral Shares are in a CHESS Holding, you may contact your Controlling Participant directly (normally your stockbroker) with instructions to accept the Offer. If you do this, your Controlling Participant will provide you with details as to what they require in order to accept the Offer on your behalf. If you want Capitol Bidco to contact your Controlling Participant on your behalf, sign and return this form to the address above so that it is received in sufficient time to allow your instruction to be acted upon by the close of the Offer Period. This will authorise Capitol Bidco and Computershare Investor Services Pty Limited ("CIS") to request your Controlling Participant to initiate acceptance of the Offer on your behalf.

By signing this form, you warrant to Capitol Bidco (and authorise Capitol Bidco to warrant on your behalf) that you have full legal and beneficial ownership of the Integral Shares to which this form relates and that Capitol Bidco will acquire them free from all mortgages, charges, liens, encumbrances (whether legal or equitable), restrictions on transfer of any kind and free from any third party rights.

You should allow sufficient time for your Controlling Participant or Capitol Bidco to initiate the acceptance of Capitol Bidco's Offer on your behalf. Neither Capitol Bidco or CIS will be responsible for any delays incurred by the process of requesting your Controlling Participant to accept the Offer.

Step 3: Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders must sign.

Power of Attorney: Where signing as Power of Attorney ("POA"), you must attach an original certified copy of the POA to this form.

Companies: Where the holding is in the name of a Company, this form must be signed in accordance with the Corporations Act, either as:

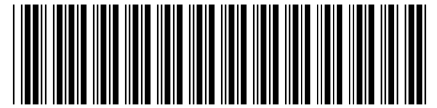
- a Sole Director and Sole Company Secretary **OR** a Sole Director (if no Company Secretary exists), **OR**
- two Directors, **OR**
- a Director and Secretary.

Overseas Companies: Where the holding is in the name of an overseas company (companies incorporated outside Australia) the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.

Deceased Estate: All executors must sign and a certified copy of Probate or Letters of Administration must accompany this form.

Entering contact details is not compulsory, but will assist us if we need to contact you.

Turn over to complete the form →




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Transfer and Acceptance Form

STEP 1

Registration Name & Offer Details

 For your security keep your SRN/
HIN confidential.

Registration Name: MR SAM SAMPLE
UNIT 123
SAMPLE STREET
SAMPLETOWN NSW 2001

Controlling Participant Identifier:

Offer Details: Securityholding as at XXXXXXXX XX January 2018:

2000

By accepting the Offer for ALL of your Integral Shares, you are accepting the Offer for ALL the Integral Shares as recorded by Capitol Bidco as being held by you at the date your acceptance is processed (even if different to the number stated above).

STEP 2

Accept the Offer

Only sign and return this form if you wish to accept the Offer for ALL of your Integral Shares. The consideration applicable is set out in the terms of Capitol Bidco's Offer.

STEP 3

Signature of Securityholder(s) *This section must be completed.*

I/We accept the Offer made by Capitol Bidco for Integral Shares and I/we agree to be bound by the terms and conditions of the Offer and transfer ALL of my/our Integral Shares as per the above instruction.

Individual or Securityholder 1

Sole Director and Sole Company Secretary/
Sole Director (cross out titles as applicable)

Securityholder 2

Director

Securityholder 3

Director/Company Secretary
(cross out titles as applicable)

Contact
Name

Contact
Daytime
Telephone

Date / /

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited ("CIS") for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. We may also use your personal information to send you marketing material approved by Capitol Health Holdings Pty Limited, a wholly-owned subsidiary of Capitol Health Limited. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or by emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to Capitol Health Holdings Pty Limited, a wholly-owned subsidiary of Capitol Health Limited or to third parties upon direction by Capitol Health Holdings Pty Limited, a wholly-owned subsidiary of Capitol Health Limited where related to the administration of your securityholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Capitol Health Holdings Pty Limited

ABN 41 623 058 499

(A wholly-owned subsidiary of Capitol Health Limited (ABN 84 117 391 812))

Return your Form:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne Victoria 3001
Australia

For all enquiries:



Phone:

(within Australia) 1300 090 799
(outside Australia) +61 3 9415 4322

MR SAM SAMPLE
UNIT 123
SAMPLE STREET
SAMPLETOWN NSW 2001

Transfer and Acceptance Form

ISSUER



Your form must be received by the end of the Offer Period.

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Step 3: Signing Instructions

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- a Sole Director and Sole Company Secretary **OR** a Sole Director (if no Company Secretary exists), **OR**
- two Directors, **OR**
- a Director and Secretary.

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Entering contact details is not compulsory, but will assist us if we need to contact you.

Turn over to complete the form ➔



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Transfer and Acceptance Form

STEP 1

Registration Name & Offer Details

 For your security keep your SRN/
HIN confidential.

Registration Name: MR SAM SAMPLE
UNIT 123
SAMPLE STREET
SAMPLETOWN NSW 2001

Offer Details: Securityholding as at XXXXXXXX XX January 2018:

2000

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STEP 2

Accept the Offer

Only sign and return this form if you wish to accept the Offer for ALL of your Integral Shares. The consideration applicable is set out in the terms of Capitol Bidco's Offer.

STEP 3

Signature of Securityholder(s) *This section must be completed.*

I/We accept the Offer made by Capitol Bidco for Integral Shares and I/we agree to be bound by the terms and conditions of the Offer and transfer ALL of my/our Integral Shares as per the above instruction.

Individual or Securityholder 1

Sole Director and Sole Company Secretary/
Sole Director (cross out titles as applicable)

Securityholder 2

Director

Securityholder 3

Director/Company Secretary
(cross out titles as applicable)

Contact
Name

Contact
Daytime
Telephone

Date / /

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