

# CAPITOLHEALTH LIMITED

ABN 84 117 391 812

## NOTICE OF ANNUAL GENERAL MEETING

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**Venue:** Moonee Ponds Bowling Club  
Queens Park,  
776, Mount Alexander Road  
Moonee Ponds VIC 3039

**Date:** Monday, 16 November 2015

**Time:** 11:00 a.m. (EDST)

The Annual Report is now available on the Company's website at [www.capitolhealth.com.au](http://www.capitolhealth.com.au).

*This is an important document. If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.*

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Capitol Health Limited (**Company**) will be held at:

**Venue:** Moonee Ponds Bowling Club  
Queens Park,  
776, Mount Alexander Road  
Moonee Ponds VIC 3039

**Date:** Monday, 16 November 2015

**Time:** 11:00 a.m. (EDST)

This Notice of Meeting (**Notice**) should be read in conjunction with the accompanying Explanatory Statement.

## Agenda

### Financial and Other Reports – Year Ended 30 June 2015 (no resolution required)

To receive and consider the financial report and the reports of the Directors and of the Auditor for the financial year ended 30 June 2015.

### Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That the Remuneration Report of the Company (as contained in the Directors’ Report) for the year ended 30 June 2015 be adopted.”*

**Voting Prohibition Statement:** The Company will disregard any votes cast on Resolution 1 by or on behalf of the Company’s key management personnel (including the Directors), details of whose remuneration are included in the Remuneration Report (“**KMP**”) or their closely related parties, whether as a securityholder or as a proxy. However, a vote may be cast on Resolution 1 by a KMP, or a closely related party of a KMP, if:

- the vote is cast as a proxy;
- the voter is appointed as a proxy in writing that specifies the way the proxy is to vote on the Resolution; or
- the voter is the chair of the meeting and the appointment of the chair as proxy:
  - does not specify the way the proxy is to vote on the Resolution; and
  - expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP of the Company.

### Resolution 2 – Re-election of Mr Andrew Harrison as Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That Mr Andrew Harrison, who retires by rotation in accordance with clause 13.2 of the Company’s Constitution, and who offers himself for re-election, is re-elected as a Director.”*

### Resolution 3 – Election of Mr Andrew Demetriou as Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That pursuant to Clause 13.4 of the Company’s Constitution, Mr Andrew Demetriou, who was appointed by the Board as a Director since the last annual general meeting of the Company and who retires and offers himself for election, is re-elected as a Director.”*

### Resolution 4 – Election of Mr Peter Lewis as Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That pursuant to Clause 13.4 of the Company’s Constitution, Mr Peter Lewis, who was appointed by the Board as a Director since the last annual general meeting of the Company and who retires and offers himself for election, is re-elected as a Director.”*

### Resolution 5 – Adoption of Capitol Health Limited Employee Incentive Plan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That approval be given for adoption of the Capitol Health Limited Employee Incentive Plan, and that any equity securities issued under the Plan be approved as an exception to Listing Rule 7.1 (Exception 9 of Listing Rule 7.2) during the three years following the date of this meeting, on the terms which are described in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 5 by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the entity) and any of their associates.

Further, a vote must not be cast on Resolution 5 by any member of the Company’s KMP or a closely related party of any member of the KMP, that is appointed as proxy, if their appointment does not specify the way in which the proxy is to vote.

However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or by the Chairman of the meeting (who may be a KMP) as proxy for a person who is entitled to vote, and the proxy form expressly authorises the Chairman to exercise the proxy even if the Resolution is connected, directly or indirectly, with the remuneration of the KMP.

**Important:** If you appoint the Chairman of the meeting as your proxy for Resolution 5 and you do not direct your proxy how to vote on Resolution 5, you will be expressly authorising the Chairman to exercise your proxy, even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

### Resolution 6 – Non-Executive Directors’ Remuneration

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 10.17 and clause 13.7 of the Company’s constitution and for all other purposes, the aggregate maximum amount of remuneration of the Non-Executive Directors be increased from \$350,000 per annum to an aggregate maximum sum of \$500,000 per annum.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 6 by the Non-Executive Directors or any of their associates. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## NOTICE OF ANNUAL GENERAL MEETING

**Resolution 7 – Approval of financial assistance by Eastern Radiology Services Pty Ltd and Diagnostic MRI Services Pty Ltd**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, for the purpose of section 260B(2) of the Corporations Act 2001, and for all other purposes, the giving of financial assistance by Eastern Radiology Services Pty Ltd and Diagnostic MRI Services Pty Ltd in connection with the Transaction in the manner described in the Explanatory Statement accompanying this Notice, be and is hereby approved.”*

**Resolution 8 – Ratification of the issue of 64,727,590 Shares to raise \$37.5 million**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders ratify the issue of 64,727,590 Shares made on 17 December 2014 on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 8 by any person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Explanatory Statement**

The Explanatory Statement is incorporated in and comprises part of this Notice. Shareholders are referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used both in this Notice and the Explanatory Statement.

**Proxies**

If you are unable or do not wish to attend the meeting, you may appoint a proxy to attend and vote on your behalf. A proxy need not be a Shareholder.

If a Shareholder is entitled to two or more votes they may appoint two proxies and may specify the number or percentage of votes each proxy is appointed to exercise. If no such number or percentage is specified, each proxy may exercise half the Shareholder's votes.

If you appoint a body corporate as your proxy, the body corporate will need to appoint an individual as its corporate representative to exercise its powers at the meetings and provide satisfactory evidence of the appointment of its corporate representative prior to the commencement of the meeting.

Shareholders are able to lodge proxies by electronic means, by facsimile, or by mail.

If Shareholders wish to lodge their proxies by electronic means, they should do so through the Company's Registry website ([www.investorvote.com.au](http://www.investorvote.com.au)). Alternatively, Shareholders may complete the enclosed proxy form and return it by facsimile or by mail.

To be valid, the appointment of a proxy must be received at least 48 hours prior to the Meeting. The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

**Voting Entitlements**

For the purposes of section 1074E(2) of the Corporations Act 2001 and regulation 7.11.37 of the Corporations Regulations 2001, the Company has determined that members holding ordinary shares as set out in the Company's share register 48 hours before the meeting will be entitled to attend and vote at the Annual General Meeting.

**Corporate Representative**

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company in advance of the meeting or handed in at the meeting when registering as a corporate representative.

BY ORDER OF THE BOARD

**Kim Hogg**  
Company Secretary  
16 October 2015

## EXPLANATORY STATEMENT

## Explanatory Statement

This Explanatory Statement has been prepared to provide Shareholders with material information to enable them to make an informed decision on the business to be conducted at the Annual General Meeting of Capitol Health Limited.

The Directors recommend Shareholders read this Explanatory Statement in full before making any decision in relation to the resolutions.

## Financial Statements and Report

Under the Corporations Act, the Directors of the Company must table the Financial Report, the Directors' Report and the Auditor's Report for Capitol Health for the year ended 30 June 2015 at the meeting.

These reports are set out in the 2015 Annual Report. Shareholders who elected to receive a printed copy of annual reports should have received the 2015 Annual Report with this Notice of Annual General Meeting. In accordance with section 314 (1AA)(c) of the Corporations Act, the Company advises the 2015 Annual Report is available from the Company's website ([www.capitolhealth.com.au](http://www.capitolhealth.com.au)).

Shareholders will be given reasonable opportunity at the meeting to ask questions and make comments on the Financial Report, the Directors' Report and the Auditor's Report.

## Resolution 1 – Adoption of Remuneration Report

## General

The Directors' Report for the period ended 30 June 2015 contains a Remuneration Report which sets out the policy for the remuneration of Directors and executives of the Company. In accordance with Section 250R(2) of the Corporations Act the Company is required to present to its Shareholders the Remuneration Report as disclosed in the Company's 2015 Annual Report.

## Voting consequences

The vote on Resolution 1 is advisory only and does not bind the Directors or the Company. However, under the Corporations Act, if at least 25% of the votes cast on the resolution at the annual general meeting are against adoption of the Remuneration Report, then:

- if comments are made on the Remuneration Report at the annual general meeting, the Company's remuneration report for the financial year ending 30 June 2016 will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- if, at the Company's 2016 annual general meeting, at least 25% of the votes cast on the resolution for adoption of the Remuneration Report for the relevant financial year are also against its adoption, the Company will be required to put to Shareholders a resolution proposing that a general meeting ("Spill Meeting") be called to consider the election of Directors of the Company ("Spill Resolution"). For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Resolution is passed, all of the Directors (other than any Managing Director) will cease to hold office immediately before the end of the Spill Meeting unless re-elected at that meeting.

At the Company's 2014 annual general meeting, the votes cast against the remuneration report considered at that annual general meeting were less than 25%.

## Proxy voting restrictions

A vote must not be cast (in any capacity) on Resolution 1 by or on behalf of the Company's key management personnel (including the Directors), details of whose remuneration are included in the Remuneration Report ("KMP") or their closely related parties, whether as a Shareholder or as a proxy.

However, a vote may be cast on Resolution 1 by a KMP, or a closely related party of a KMP, if:

- the vote is cast as a proxy;
- appointed in writing that specifies how the proxy is to vote on Resolution 1 and
- appointed by a person who is not also a KMP or a closely related party of a KMP; or
- the KMP is the chair of the meeting casting the vote as a proxy and their appointment expressly authorises the chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the KMP of the Company.

Voting intention

The Chairman of the meeting intends to vote all available proxies in favour of Resolution 1.

## Resolution 2 – Re-election of Mr Andrew Harrison as Director

Clause 13.2 of the Constitution requires that at every annual general meeting, one third of the Directors must retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

Mr Harrison retires by rotation and seeks re-election.

Mr Harrison, aged 44, has significant experience in both senior management and board positions in publicly listed companies, including strategic and day-to-day management in addition to IPO activities. He was a non-executive director of ASX listed companies Neptune Marine Services Limited until February 2006 and a non-executive and executive director of Draig Resources Limited until November 2012.

Board Recommendation

The Board (other than Mr Harrison) recommends Shareholders vote in favour of the Resolution.

Voting Intention

The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

## Resolution 3 – Election of Mr Andrew Demetriou as Director

Clause 13.4 of the Constitution states that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Directors appointed under Clause 13.4 hold office until the next following general meeting of the Company and are eligible for re-election at that meeting.

Mr Demetriou was appointed as a Director of Capitol Health Ltd on 17 November 2014 as an addition to the existing Directors. In accordance with Clause 13.4 of the Constitution, Mr Demetriou offers himself for re-election as a Director.

Mr Demetriou, aged 54, was Chief Executive Officer of the Australian Football League from 2003 until June 2014, and has been the Managing Director of the Ruthin 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.

Mr Demetriou is currently within the required legislative approval process as a nominated Director of Crown Resorts Limited (ASX:CWN), Executive Chairman of Acquire Learning, Director of the sports marketing firm Bastion Group and is a Non-Executive Director of the non-partisan Climate Institute.

Board Recommendation

The Board (other than Mr Demetriou) recommends shareholders vote in favour of the Resolution.

## EXPLANATORY STATEMENT

### Voting Intention

The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

### **Resolution 4 – Election of Mr Peter Lewis as Director**

Clause 13.4 of the Constitution states that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Directors appointed under Clause 13.4 hold office until the next following general meeting of the Company and are eligible for re-election at that meeting.

Mr Lewis was appointed as a Director of Capitol Health Ltd on 28 August 2015 as an addition to the existing Directors. In accordance with Clause 13.4 of the Constitution, Mr Lewis offers himself for re-election as a Director.

Mr Lewis, aged 51, is currently a non-executive director of Australian Broadcasting Corporation and 360 Capital ANI Management Limited, as well as a member of the Advisory Board for Anacacia Capital and Acquire Learning & Careers.

He has more than two decades of experience in both executive and financial roles including at Network Ten, Sydney Olympic Broadcasting Organisation and the Seven and Seven West Media Groups. He is also a Fellow of the Institute of Chartered Accountants in Australia, a member of the Australian Society of Certified Practising Accountants and a Fellow of the Governance Institute of Australia.

Mr Lewis spent 15 years at Seven West Media in both CFO and COO roles and brings a wealth of experience to both the Capitol Board and management team.

### Board Recommendation

The Board (other than Mr Lewis) recommends shareholders vote in favour of the Resolution.

### Voting Intention

The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

### **Resolution 5 – Adoption of Capitol Health Limited Employee Incentive Plan**

#### **Background**

The Board is undertaking an independent review of the Company's executive and broad-based remuneration arrangements to ensure that the Company's remuneration structure is aligned with the Company's strategic outlook and remains market competitive.

The Company is now seeking approval for the new Capitol Health Limited Employee Incentive Plan ("Plan") such that, once this remuneration review is completed (expected to be before the end of 2015), the Board may issue awards to eligible participants under a contemporary equity incentive scheme.

If approved, the Plan will provide flexibility for the Company to grant equity awards to eligible participants, in the form of performance rights and / or options (together, "Awards") over Company shares. The new Plan builds upon the principles of the Company's existing equity plan and will be the Company's principal vehicle for granting employee equity incentive awards, forming what the Board considers a key element of the Company's total remuneration strategy.

In addition to providing incentive awards to the broader employee population, the Plan will provide a framework to award long-term incentives to key employees who the Board considers can directly contribute to achieving the Company's business strategy.

A summary of the key terms of the Plan is set out in Annexure A. A grant of awards under the Plan is subject to both the terms of the Plan and the terms of the specific grant.

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

- assist in the attraction, retention and motivation of key employees as well as the broader Company workforce;
- reward key employees and other participants for strong individual and Company performance; and
- align the interests of participating employees with those of Company shareholders by providing opportunities to build their equity holding in the Company and providing the ability to share in future growth in value.

### **Why is shareholder approval being sought?**

Shareholders are asked to approve the adoption of the Company's new Plan, which is summarised below. Shareholder approval is not required under the Listing Rules to adopt the Plan. However, approval is being sought as a matter of good governance and to allow the Company flexibility to either issue new shares or to purchase shares on-market for allocation to participating individuals upon vesting of awards in future years.

Listing Rule 7.1 provides that an ASX listed entity must not issue equity securities that total more than 15% of its fully paid ordinary securities in a 12 month period without shareholder approval.

Under Listing Rule 7.2, shareholders may approve the issue of equity securities under an employee incentive scheme as an exception to Listing Rules 7.1 and 7.1A. If such approval is obtained, any Awards granted under the Plan would not be counted towards the Company's capacity to issue securities under the applicable issue limit.

This approval continues for three years, at which time it must be renewed, or it will expire. In the absence of such an approval, issues of Awards under the Plan may still be made, but must fall within the applicable issue limit at the time of issue.

While the Board does not necessarily intend to issue new shares under the Plan, shareholder approval will provide the Board with the flexibility to determine whether purchases on-market or newly issued shares are more appropriate at a particular time.

In the Board's opinion, this resolution will assist the Company in managing its capital requirements efficiently by ensuring that the Company's annual issue limit is not diminished by issues of shares under the Plan and capacity is available for capital management initiatives and acquisitions, if necessary and appropriate.

### Board Recommendation

The Board recommends shareholders vote in favour of the Resolution.

### Voting Intention

The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

### **Resolution 6 – Non-Executive Directors' Remuneration**

The Company's Constitution provides that Non-Executive Directors may be collectively paid as remuneration for their services a fixed sum not exceeding an aggregate maximum as determined by the Company in general meeting. Listing Rule 10.17 prohibits a company increasing the amount of fees it pays to its non-executive directors unless the increase is approved by shareholders.

The Company's Constitution allows the Directors to divide the total aggregate amount between themselves in such manner and proportion as they may from time to time agree. For the purposes of Listing Rule 10.17, the "total amount of directors' fees payable" includes superannuation contributions made for the benefit of Non-Executive Directors and any fees which a Non-Executive Director agrees to sacrifice on a pre-tax basis.

The current total remuneration for all Non-Executive Directors of \$350,000 per annum was approved by shareholders at the 2014 Annual General Meeting. Approval is sought pursuant to Clause 13.7 of the Company's Constitution and Listing Rule 10.17, to increase the maximum aggregate amount of fees payable to Non-Executive Directors by \$150,000 per annum to \$500,000 per annum.



## EXPLANATORY STATEMENT

In determining the proposed increase in aggregate fees to Non-Executive Directors, the following matters were considered:

- (a) the Company has continued to expand operations and increase shareholder value since its inclusion in the S&P/ASX 300 Index from September 2014. The index covers approximately 81% of Australian equity market capitalisation and provides a benchmark of organisations of similar size and liquidity. The continued growth of the Company and resulting increased required commitment from non-executive directors on the Board and its Committees may require adjustments to remuneration that reflect the growth and are comparative with peer companies;
- (b) to have flexibility to make additional appointments to the Board, having regard to the increased size of the Company;
- (c) to ensure the Company maintains the ability to remunerate, attract and retain non-executive directors of high-calibre; and
- (d) to allow for growth in non-executive directors' remuneration in the future to reflect market competitiveness for non-executive directors with the expertise and experience appropriate for the Company's business.

The Board considers that the total maximum amount of fees payable to the non-executive directors' of the Company in remuneration is reasonable and on par with the role of directors of publicly listed companies of similar size and complexity, having regard to the duties and responsibilities of the position.

It should be noted that the proposed aggregate amount will not be utilised immediately. However, it allows some scope for additions to the Board, should the Board wish to appoint additional Non-Executive Director(s) in the future.

Remuneration for each Non-Executive Director for the 12 months ended 30 June 2015 is detailed in the 2015 Annual Report.

### Board Recommendation

The Non-Executive Directors (Messrs Demetriou and Harrison) have an interest in this Resolution and accordingly do not make a recommendation to Shareholders as to how to vote. Mr Conidi and Mr Lewis have no interest in this Resolution and recommend Shareholders vote in favour of the Resolution.

### Voting Intention

The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

### **Resolution 7 – Approval of financial assistance by Eastern Radiology Services Pty Ltd and Diagnostic MRI Services Pty Ltd**

#### **Background and details of proposed financial assistance**

Under the facility agreement (Facility Agreement) dated 5 February 2015 between Capitol Health and National Australia Bank Ltd ABN 12 004 044 937 (NAB), each newly acquired wholly owned subsidiary of Capitol or an obligor under the Facility Agreement must, among other matters, become a guarantor under the Facility Agreement, (by acceding to the Facility Agreement); and grant to NAB a general security interest over all of its assets (collectively the Transaction).

By becoming a guarantor and acceding to the Facility Agreement, the newly acquired subsidiary will guarantee all amounts owing to NAB under and in connection with the finance documents (as defined in the Facility Agreement) and provide certain undertakings, representations and warranties to NAB.

Since the Company's last annual general meeting (AGM), Diagnostic MRI Services Pty Ltd and Eastern Radiology Services Pty Ltd (each a Target) have been acquired by and are now

wholly owned subsidiaries of Capitol Radiology (NSW) Pty Ltd and Capital Radiology Pty Ltd, respectively.

In accordance with the terms of the Facility Agreement, the above requirements must be satisfied within 30 days of the Company's next AGM.

By acceding to the Facility Agreement (and thereby becoming a guarantor and providing certain undertakings, representations and warranties) and granting security, each Target will provide financial assistance for the purposes of the Corporations Act 2001.

The reason for the giving of the financial assistance described above is to enable the Company to comply with certain of its obligations under the Facility Agreement. If such obligations are not complied with, an "Event of Default" will occur under the Facility Agreement and the funding under the Facility Agreement may be required to be repaid.

Where Resolution 7 is passed the financial assistance under the proposed Transaction is that each of Diagnostic MRI Services Pty Ltd and Eastern Radiology Services Pty Ltd will:

- (a) become a guarantor under the Facility Agreement (by acceding to the Facility Agreement);
- (b) grant to NAB a general security interest over all of its assets (GSI);
- (c) grant to NAB a mortgage over any land it holds which has a book value of more than \$2 million; and
- (d) grant to NAB security over any share it holds in Capitol or any of its subsidiaries.

#### **Explanation of the principle of financial assistance**

Under section 260A of the Corporations Act a company may financially assist a person to acquire shares in that company or a holding company of that company only if:

- (a) giving the assistance does not materially prejudice:
  - I. the interests of the company or of its shareholders; or
  - II. the company's ability to pay its creditors; or
- (b) the assistance is approved by shareholders under section 260B of the Corporations Act, or
- (c) the assistance is exempted under section 260C of the Corporations Act.

Under Section 260B(2) of the Corporations Act if, immediately after the Transaction, a company will be a subsidiary of a listed Australian corporation, the financial assistance to be provided by such company must also be approved by a special resolution passed at a general meeting of that listed corporation. This approval is to be proposed as Resolution 7.

Resolution 7 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by corporate representative).

#### **Effect of the proposed financial assistance**

As the Company is already liable for the amounts payable under the Facility Agreement, the giving of the financial assistance described in this Explanatory Statement by the Target is unlikely to have any adverse effect on the Company, except that the operations of the Target will be restricted by the representations and undertakings given by them under the Facility Agreement.

The substantial effect of the financial assistance on the Target is that each Target will have guaranteed all amounts payable under the Facility Agreement and granted security for such obligations over its assets and undertaking. The operations of the Target will also be restricted by the representations and undertakings given by them under the Facility Agreement. This equally applies to any company which is a subsidiary of the Facility Agreement from time to time that is not a Target but later provides financial assistance by acceding as a guarantor to the Facilities

## EXPLANATORY STATEMENT

Agreement and as a security provider to the Facility Agreement and providing security.

The Board does not currently believe that either the Company or any of the Targets are likely to default in their obligations under the Facility Agreement; nor that the giving of the financial assistance as described above likely to have any adverse effect on the Company or any of the Targets.

***Advantages of the proposed financial assistance***

The provision of the financial assistance as detailed above within 30 days of this AGM will enable the Company to comply with their obligations under the Facility Agreement, thereby preserving the benefit of all of the facilities available to the Company and its subsidiaries under the Facility Agreement.

Where the financial assistance is provided Eastern Radiology Services Pty Ltd and Diagnostic MRI Services Pty Ltd will then have access the financial support of the Facility Agreement.

***Disadvantages of the proposed financial assistance***

Eastern Radiology Services Pty Ltd and Diagnostic MRI Services Pty Ltd will be providing guarantees and security to NAB as outlined above.

***Notice to ASIC***

In accordance with section 260B(5) of the Corporations Act, copies of the Notice of Meeting (including this Explanatory Statement) of the proposed Resolution were lodged with the Australian Securities and Investments Commission before being sent to the Shareholders.

***Board Recommendation***

The Board recommends shareholders vote in favour of the Resolution.

***Voting Intention***

The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

***Disclosure***

The Company considers this Explanatory Statement to contain all material information known to it that could reasonably be required by a Shareholder in deciding how to vote on the proposed Resolution other than information that would be unreasonable to require the Company to disclose because it has previously disclosed that information to the Shareholders.

**Resolution 8 – Ratification of the issue of 64,727,590 Shares to raise \$37.5 million**

On 11 December 2014, Capitol Health announced the successful completion of its \$37.5 million institutional placement (**Placement**), undertaken to fund the acquisition of Southern Radiology Group, a private Sydney-based radiology group and the Company's first NSW acquisition. The acquisition was completed on 31 March 2015.

The consideration payable by Capitol Health for the acquisition was a total of \$50.5 million in cash, funded via a combination of debt and equity. To facilitate the equity component, the Company successfully completed a share placement to institutional and sophisticated investors to raise \$37.5 million (before costs). A total of 64,727,590 ordinary fully paid shares were issued at a price of \$0.58 per share. The balance of the consideration payment for the acquisition was funded through a debt facility provided by the Company's bankers.

The Company now seeks that shareholders ratify the issue of 64,727,590 shares to institutional and sophisticated investors made on 17 December 2014 pursuant to Listing Rule 7.4.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 enables shareholders of a company to ratify an issue of securities that was made without shareholder approval under Listing Rule 7.1. or under an exception to Listing Rule 7.1, and which otherwise did not breach Listing Rule 7.1.

If the issue of the placement shares is ratified by this resolution then the issue of these securities will not count towards the Company's placement capacity for the purposes of Listing Rule 7.1.

For the purpose of Listing Rule 7.5, the following information is provided:

- (a) A total of 64,727,590 Shares were issued;
- (b) The Shares were issued for cash to partly fund the acquisition of 100% of the issued shares in Southern Radiology Group at an issue price of \$0.58 per Share;
- (c) The Shares issued were ordinary fully paid shares and rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
- (d) The Shares were issued to various institutional and sophisticated investors; and
- (e) A total of \$37.5 million (before costs) was raised as part of the cash consideration for the acquisition of Southern Radiology Group.

***Board Recommendation***

The Board believes that refreshing the Company's ability to issue Shares within the 15% limit is in the best interests of the Company, thereby maintaining its flexibility to make placements of securities without seeking shareholder approval if the need or opportunity arises. Accordingly, the Board recommends Shareholders vote in favour of the Resolution.

***Voting Intention***

The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

## EXPLANATORY STATEMENT

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### Glossary

**Annual General Meeting** means the meeting convened by the Notice.

**ASX** means ASX Limited (ACN 008 624 691).

**ASIC** means the Australian Securities & Investments Commission.

**Board** means the board of directors of the Company.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations.

**Company** or **Capitol Health** means Capitol Health Limited (ACN 117 391 812).

**Constitution** means the Company's constitution.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a current director of the Company.

**EDST** means Eastern Daylight Savings Time.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Key Management Personnel** means those persons details of whose remuneration are included in the Remuneration Report having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (executive or otherwise), as defined in the Corporations Act.

**Listing Rules** means the official listing rules of ASX.

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2015.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a member of the Company, as defined in the Constitution of the Company.



**Capitol Health Limited Employee Incentive Plan**

The following is a summary of the key terms of the Plan:

TERM	DETAIL
Purpose	The Plan will operate to allow the Board to grant equity awards in the form of Awards to participating individuals, delivering an equity incentive component of remuneration on the terms determined by the Board from time to time.
Awards	<p>Each Award is a right to acquire one ordinary share in the Company (or receive an equivalent cash amount) upon satisfaction of the vesting conditions, as determined by the Board, and valid exercise of the Award.</p> <p>No exercise price will apply in respect of a grant of performance rights and the Board may specify circumstances or an event upon which a performance right may be automatically exercised.</p> <p>For a grant of options, an exercise price will apply, as determined by the Board and, ordinarily, automatic exercise will not apply.</p> <p>Each grant will specify the minimum and maximum number or value of shares in the Company that the participant may receive upon vesting and exercise of Awards.</p> <p>Unless the Board determines otherwise, no consideration is payable by the participant for a grant of Awards under the Plan.</p>
Eligible participants	<p>The Board may grant Awards to selected eligible participants.</p> <p>Eligible participants may include Directors, full-time and part-time employees, and any other person the Board considers appropriate.</p>
Allocation of shares upon vesting and exercise	<p>The Company may issue new shares or procure the acquisition of shares on-market to satisfy vested Awards upon exercise.</p> <p>The Company may also operate an employee share trust to acquire, hold or provide shares for the purposes of the Plan.</p> <p>Unless the Board determines, no trading restriction will be placed on shares allocated following vesting and exercise of Awards, subject to the Company's Securities Trading Policy.</p>
Vesting conditions and performance period	<p>The Board may determine vesting conditions, which may include performance and/or service conditions that must be satisfied before Awards vest. The vesting conditions will be measured and tested over a performance period determined by the Board.</p> <p>Note that the Plan provides the Board with the ability to review and adjust the vesting conditions, targets and vesting schedules (as applicable) on a grant-by-grant basis, ensuring the conditions remain appropriate for the particular grant.</p>
Other terms	The Board may determine the terms of the Awards, including the exercise price in respect of options, any exercise restrictions as well as any other vesting or lapsing conditions.
Entitlements	<p>Unless the Board determines otherwise, Awards do not carry any dividend or voting rights prior to vesting and exercise.</p> <p>The Awards are non-transferable, except in limited circumstances (such as death) or with the consent of the Board.</p>
Cessation of employment / engagement	<p>Where a participant ceases to be an employee (or otherwise engaged) by the Company (or any subsidiary of the Company) prior to the end of the applicable performance period, the treatment of Awards will depend on the circumstances of cessation.</p> <p>Generally, where a participant ceases due to resignation or termination for cause (including gross misconduct), all unvested Awards will lapse at cessation.</p> <p>Where the individual ceases for any other reason prior to the end of the relevant performance period, the participant's unvested Awards will continue "on-foot" and will be tested at the end of the applicable performance period, vesting only to the extent that any performance conditions have been satisfied (ignoring any service related conditions).</p>

TERM	DETAIL
	<p>However, the Board has a broad discretion to apply any other treatment it deems appropriate in the circumstances (including that another number of Awards may vest and be exercised either at cessation or at the end of the original performance period, or that some or all of the Awards will lapse).</p> <p>In making this determination, the Board may have regard to any factors the Board considers relevant, including the performance period elapsed and the extent to which the vesting conditions have been satisfied.</p>
Change of control	<p>Where a change of control event occurs prior to vesting of Awards, a pro-rata number of the Awards will generally vest based on the performance period elapsed and the extent to which the vesting conditions have been met at the time of the event.</p> <p>However, the Board has discretion to determine a different treatment, either at the time of grant or prior to the change of control event, including that another number of unvested Awards should vest or be subject to substitute or varied vesting conditions and/or periods.</p> <p>The Company also has specific rules in relation to divestments of a “material” part of the business or asset, with the Board having the discretion to determine an appropriate treatment for participants in the event of such a divestment.</p>
Clawback	<p>In the event of fraud, dishonesty or material misstatement of financial statements (or other specific circumstances described in the Plan), the Board may make a determination in respect of the Awards, or Shares allocated following exercise, to ensure that no unfair benefit is obtained by a participant (including lapse of unvested Awards).</p>
Adjustment of number of Awards granted	<p>The Board has discretion to adjust the number of Awards granted in the event of a variation of capital or other corporate transaction, to ensure that participants do not enjoy a windfall gain or suffer a material detriment as a result of the variation. Any adjustment will be made in accordance with the ASX Listing Rules.</p>
Administration of Plan	<p>The Plan may be administered either by the Board or an external party, including using a trust to acquire, hold, or provide shares to satisfy the Awards.</p> <p>The Board is given the power to make all required determinations under the Plan and to waive or modify the application of the terms of the Plan and the Awards granted under it, as the Board considers appropriate.</p>
Other information	<p>Directors of the Company are eligible to participate in the Plan.</p> <p>As this is a new Plan, no shares or Awards have been allocated under the Plan to date. As at the time of this approval, the Board does not intend to make a grant of Awards under the new Plan until the remuneration review being undertaken is completed (expected to occur before the end of 2015).</p>

# CAPITOL HEALTH LIMITED

ABN 84 117 391 812

## Lodge your vote:



**Online:**

[www.investorvote.com.au](http://www.investorvote.com.au)



**By Mail:**

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 653 342  
(outside Australia) +61 3 9946 4404

000001 000 CAJ  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form

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### Vote and view the annual report online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

### Your access information that you will need to vote:

Control Number: 9999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



**For your vote to be effective it must be received by 11:00am (EDST) Saturday, 14 November 2015**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

**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 should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** ➔

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1

#### Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Capitol Health Limited hereby appoint

☐

the Chairman  
of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Capitol Health Limited to be held at the Moonee Ponds Bowling Club, Queens Park, 776 Mount Alexander Road, Moonee Ponds, Victoria on Monday, 16 November 2015 at 11:00am (EDST) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 5 and 6 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 5 and 6 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 5 and 6 by marking the appropriate box in step 2 below.

### STEP 2

#### Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Andrew Harrison as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Mr Andrew Demetriou as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of Mr Peter Lewis as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Adoption of Capitol Health Limited Employee Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Non-Executive Directors' Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of financial assistance by Eastern Radiology Services Pty Ltd and Diagnostic MRI Services Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Ratification of the issue of 64,727,590 Shares to raise \$37.5 million	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### SIGN

#### Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_

Date

C A J

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Computershare +