

24 September 2024

ASX Release

Scheme Booklet Registered with ASIC

Capitol Health Limited ACN 117 391 812 (ASX:CAJ) (**Capitol**) refers to its announcement of earlier today, in respect of the orders made by the Federal Court of Australia regarding convening a meeting of Capitol shareholders (**Shareholders**) with respect to the proposed merger with Integral Diagnostics Limited ACN 130 832 816 (ASX: IDX) (**IDX**) by way of a scheme of arrangement (**Scheme**) and distribution of the explanatory statement with respect to the Scheme (**Scheme Booklet**).

Scheme Booklet

Capitol advises that the Scheme Booklet has today been registered with the Australian Securities and Investments Commission. A copy of the Scheme Booklet is attached to this announcement and will be made available online at <https://www.capitolhealth.com.au/>.

The Scheme Booklet will also be sent to Shareholders as follows:

- Shareholders who have elected to receive meeting documents electronically from Capitol will receive an email containing instructions about how to access or download an electronic copy of the Scheme Booklet and personalised proxy form;
- Shareholders who have elected to receive meeting documents in hard copy from Capitol will receive a physical copy of the Scheme Booklet and a personalised proxy form by post; and
- all other Shareholders will receive a letter by post containing instructions about how to view or download an electronic copy of the Scheme Booklet, together with a proxy form.

The Scheme Booklet is expected to be despatched to Shareholders as set out above on or before **27 September 2024**. Shareholders should read the Scheme Booklet in its entirety before deciding whether to vote in favour of the Scheme.

Independent Expert's Report

The Scheme Booklet includes the notice of meeting for the Scheme Meeting and a copy of the Independent Expert's Report prepared by KPMG Financial Advisory Services (Australia) Pty Ltd (**Independent Expert**) that concludes that the Scheme is fair and reasonable and therefore in the best interests of Shareholders, in the absence of a superior proposal. The Independent Expert's conclusion should be read in context with the full Independent Expert's Report and Scheme Booklet.

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Directors' recommendation and voting intentions

The Capitol Directors unanimously recommend Shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Shareholders.¹ Each Capitol Director will vote, or procure the voting of, all Capitol shares held or controlled by them in favour of the Scheme, subject to the same qualifications.

Shareholder Information Line

For more information, please refer to the Scheme Booklet. If Shareholders have any questions in relation to the Scheme Booklet, the Scheme or their shareholding, they are encouraged to contact Capitol's Scheme Information Line on 1300 441 601 (within Australia) or +61 2 9698 7164 (outside Australia), Monday to Friday (excluding public holidays), between 8.30am and 7.00pm (AEST).

This announcement has been authorised for release by the Board of Directors of Capitol Health Limited.

Further information:

Melanie Leydin

Company Secretary

Tel: 03 9692 7222

Email: Melanie.leydin@vistra.com

– ENDS –

About Capitol Health

Capitol Health is a leading provider of diagnostic imaging and related services to the Australian healthcare market. Headquartered in Melbourne, Victoria, the Company owns and operates clinics throughout Victoria, Tasmania, South Australia and Western Australia. The Company's operational focus is on delivering a community-based infrastructure for radiologists and related medical practitioners to deliver optimal, efficient, accurate healthcare service outcomes for its patients. Visit: <https://www.asx.com.au/markets/company/CAJ>

¹ Shareholders should note the interests of Capitol Directors when considering this recommendation. Details of those interests are set out in Section 13.2 of the Scheme Booklet. Capitol's Managing Director and Chief Executive Officer, Mr Justin Walter, will receive 1,244,382 New IDX Shares in relation to his performance rights and Capitol shares and a cash payment of approximately \$547,500 in relation to his STIs if the Scheme becomes Effective and is implemented. The Capitol Directors, including Mr Walter, consider that notwithstanding these arrangements it is appropriate for Mr Walter to make a recommendation on the Scheme given Mr Walter's role in the operation and management of Capitol and that Capitol Shareholders would wish to know Mr Walter's views on the Scheme.

Capitol Health Limited

ACN 117 391 812

SCHEME BOOKLET

In relation to the scheme of arrangement to give effect to the proposed merger of Capitol Health Limited (**Capitol**) with Integral Diagnostics Limited (**IDX**).

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VOTE IN FAVOUR

The Capitol Directors unanimously recommend that Capitol Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Capitol Shareholders, in the absence of a Superior Proposal.

Legal Adviser



Maddocks

Financial Adviser



This is an important document and requires your immediate attention. You should read this document in full before you decide whether or not to vote in favour of the Scheme. If you are in any doubt as to what action you should take, please consult your legal, financial, tax or other professional advisers.

IMPORTANT NOTICES

General

Capitol Shareholders should read this Scheme Booklet in its entirety before making a decision as to how to vote on the Scheme Resolution to be considered at the Scheme Meeting. In particular, it is important that you consider the potential risks set out in Section 11, and the views of the Independent Expert set out in the Independent Expert's Report included in Annexure 1. If you are in any doubt as to any action you should take, please consult your legal, financial, taxation or other professional adviser immediately.

This Scheme Booklet has been sent to you because you are shown in the Capitol Share Register as holding Capitol Shares. If you have recently sold all of your Capitol Shares, please disregard this Scheme Booklet.

Purpose of this document

The purpose of this Scheme Booklet is to:

- (a) explain the terms of the Scheme;
- (b) explain the manner in which the Scheme will be considered and implemented (if approved by the Requisite Majorities and by the Court); and
- (c) provide information that is prescribed or otherwise material to the decision of Capitol Shareholders on whether or not to approve the Scheme by voting in favour of the Scheme Resolution, being information that is within the knowledge of the Capitol Directors and has not previously been disclosed to Capitol Shareholders.

This Scheme Booklet includes the explanatory statement required to be sent to Capitol Shareholders in relation to the Scheme pursuant to section 412(1) of the Corporations Act.

Responsibility for information

The Capitol Information contained in this Scheme Booklet (which excludes the IDX Information, the Independent Expert's Report and the Independent Limited Assurance Report), has been prepared by, and is the sole responsibility of, Capitol. Capitol is also responsible for the information contained in this Scheme Booklet provided by Capitol to IDX or obtained from Capitol's announcements on ASX regarding the Capitol Group contained in, or used in the preparation of, the information regarding the Merged Group. Capitol's Advisers do not assume any responsibility for the accuracy or completeness of the Capitol Information. None of IDX, its Subsidiaries, nor their respective directors, officers or Advisers assume any responsibility for the accuracy or completeness of the Capitol Information and, to the maximum extent permitted by law, will not be responsible for any Capitol Information and disclaims liability for the Capitol Information appearing in this Scheme Booklet.

The IDX Information has been prepared by, and is the sole responsibility of, IDX (other than any information provided by Capitol to IDX or obtained from Capitol's announcements on ASX regarding the Capitol Group contained in, or used in the preparation of, the information regarding the Merged Group). IDX's Advisers do not assume any responsibility for the accuracy or completeness of the IDX Information. None of Capitol, nor its Subsidiaries, nor their respective directors, officers or Advisers assume any responsibility for the accuracy or completeness of the IDX Information and, to the maximum extent permitted by law, Capitol will not be responsible for any IDX Information and disclaims liability for the IDX Information appearing in this Scheme Booklet.

The Independent Expert has prepared the Independent Expert's Report in relation to the Scheme and takes responsibility for that report. None of Capitol nor its Subsidiaries, IDX nor its subsidiaries, nor any of their respective directors, officers and other Advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report, except in the case of Capitol in relation to the information which it has provided to the Independent Expert.

The Investigating Accountant has prepared the Independent Limited Assurance Report and takes responsibility for that report. None of Capitol nor its Subsidiaries, IDX nor its Subsidiaries, nor any of their respective directors, officers and other Advisers assume any responsibility for the accuracy or completeness of the Independent Limited Assurance Report.

Ernst & Young has prepared the summary of the Australian tax implications in relation to the Scheme contained in Section 12 (Australian tax implications of the Scheme). The exact tax consequences for each Capitol Shareholder will depend on their specific circumstances. In this regard, Capitol Shareholders should seek their own independent professional tax advice based on their particular circumstances.

ASIC and ASX

A copy of this Scheme Booklet has been provided to ASIC for review under section 411(2) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. Capitol has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. Neither ASIC nor its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX nor its officers take any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under section 411(1) of Corporations Act

The fact that, under section 411(1) of the Corporations Act, the Court ordered on Tuesday, 24 September 2024 that the Scheme Meeting be convened and has directed that this explanatory statement accompany the Notice of Scheme Meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how Capitol Shareholders should vote (on this matter Capitol Shareholders must reach their own decision);
- (b) has prepared, or is responsible for, the content of this Scheme Booklet; or
- (c) has approved or will approve the terms of the Scheme.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Notice of Second Court Hearing and if a Capitol Shareholder wishes to oppose the Scheme

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote on the Scheme Resolution at the Scheme Meeting.

Any Capitol Shareholder has the right to appear and be heard at the Second Court Hearing, and may oppose the approval of the Scheme at the Second Court Hearing.

If you wish to oppose approval of the Scheme in this manner, you may do so by filing with the Court and serving on Capitol a notice of appearance, in the prescribed court form, together with any affidavit on which you wish to rely on at the Second Court Hearing. The notice of appearance and affidavit must be served on Capitol at its address for service at least one day before the Second Court Date.

The address for service for Capitol is: Level 2, 288 Victoria Parade, East Melbourne VIC 3002 attention: Company Secretary or by email to cosec@capitolhealth.com.au.

The Second Court Hearing is currently scheduled to be held at 10.15am on Friday, 1 November 2024 at the Federal Court of Australia, 305 William Street, Melbourne, Victoria, although an earlier or later date may be sought. Any change to this date will be notified on Capitol's website (www.capitolhealth.com.au) and on the ASX website (<https://www.asx.com.au/>).

No investment advice

This Scheme Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any Capitol Shareholder or any other person. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. Capitol Shareholders should seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Scheme.

Forward looking statements

Certain statements in this Scheme Booklet, including statements relating to Capitol's or IDX's plans, intentions or expectations of future costs or revenues, including in relation to the Merged Group, relate to the future and are forward looking statements or information. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual events and results to vary significantly from those included in or contemplated by such statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, the regulatory environment, competitive pressures, selling price and market demand.

A description of certain of those risks as they relate to Capitol, IDX and the Merged Group is set out in Section 11.

Any estimates, targets or forecasts reflect certain assumptions by Capitol and/or IDX which assumptions may differ with respect to future events, economic, competitive and regulatory conditions, financial market conditions and future business decisions, including a continuation of existing business operations on substantially the same basis as currently exists, all of which assumptions are difficult to predict and many of which are beyond Capitol's and/or IDX's control. Accordingly, there can be no assurance that any estimate, forecast or target is indicative of Capitol's, IDX's or the Merged Group's future performance or that actual events and results would not differ materially from them.

Without limiting the generality of the other provisions of this cautionary statement, the Independent Expert's Report may contain or refer to forward looking information and is subject to certain assumptions, limitations, risks and uncertainties as described in this Scheme Booklet and in the Independent Expert's Report.

Other than as required by law, none of Capitol nor its Subsidiaries, IDX nor its Subsidiaries, nor any of their respective directors, officers and Advisers, nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. Capitol Shareholders are cautioned about relying on any such forward looking statements. The forward looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Additionally, statements of the intentions of IDX or the Merged Group in this Scheme Booklet reflect present intentions as at the date of this Scheme Booklet and may be subject to change. Forward looking statements are made as at the date of this Scheme Booklet and neither Capitol nor IDX undertakes to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law.

All subsequent written and oral forward looking statements attributable to Capitol, IDX or the Merged Group or any person acting on their behalf are qualified by this cautionary statement.

Financial information

Capitol Shareholders should be aware that financial information in this Scheme Booklet includes "non-IFRS financial information" under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information'.

Capitol and IDX have included this non-IFRS financial information because they believe that it provides Capitol Shareholders with additional relevant information. The non-IFRS financial information does not have a standardised meaning prescribed by the AAS and therefore may not be comparable to other financial measures determined in accordance with AAS. Capitol Shareholders are therefore cautioned not to place undue reliance on any non-IFRS financial information included in this Scheme Booklet.

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure 5. A reference to 'the Scheme Booklet' in the Notice of Scheme Meeting will be taken to include any supplementary scheme booklet released in relation to the Scheme.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in any such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with the laws of Australia and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia.

This Scheme Booklet and the Scheme do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Capitol Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

Further information regarding Ineligible Foreign Shareholders is set out in Section 7.5.

Tax implications of the Scheme

Section 12 of this Scheme Booklet provides a general outline of the Australian income tax, stamp duty and GST consequences for Australian resident Capitol Shareholders who dispose of their Capitol Shares to IDX under the Scheme. It does not purport to be a complete analysis or to identify all potential tax consequences, nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of each individual Capitol Shareholder.

Capitol Shareholders who are not residents of Australia for tax purposes should consult their tax adviser as to the applicable tax consequences of the Scheme in the relevant jurisdiction.

Privacy

Capitol, IDX and the Capitol Registry may collect personal information in the process of implementing the Scheme. The personal information may include the names, addresses, other contact details and details of the security holdings of Capitol Shareholders, and the names of individuals appointed by Capitol Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

The personal information is collected for the primary purposes of assisting Capitol to conduct the Scheme Meeting and to enable the Scheme to be implemented. The personal information may be disclosed to Capitol's and IDX's share registries/transfer agents, securities brokers, print and mail service providers and any other service provider to the extent necessary to conduct the Scheme Meeting and implement the Scheme.

IMPORTANT NOTICES CONTINUED

If the information outlined above is not collected, Capitol may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

Capitol Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact the Capitol Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside of Australia) if they wish to exercise these rights.

Capitol Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

The Privacy Policy of Capitol is available at <https://www.capitolhealth.com.au/privacy-policy>. The Privacy Policy contains information about how an individual may access personal information about the individual that is held by Capitol, seek the correction of such information or make a privacy related complaint and how such a complaint will be dealt with.

The Privacy Policy of IDX is available at <https://integraldiagnostics.com.au/privacy-policy/> and contains information about how an individual may access personal information about the individual that is held by IDX, seek the correction of such information or make a privacy related complaint and how such a complaint will be dealt with.

Websites

The contents of Capitol's and IDX's websites do not form part of this Scheme Booklet and Capitol Shareholders should not rely on their content.

Any reference in this Scheme Booklet to a website is for information purposes only and no information on any website forms part of this Scheme Booklet.

Implied Value

All references in this Scheme Booklet to the value or implied value of the Scheme Consideration should not be taken as an indication that Scheme Shareholders will receive cash. The implied value of the Scheme Consideration is not fixed. Scheme Shareholders (other than Ineligible Shareholders) will receive New IDX Shares as consideration for their Capitol Shares under the Scheme.

Consequently, the implied value of the Scheme Consideration will depend on the price at which IDX Shares trade on ASX after issue of the New IDX Shares under the Scheme. There can be no guarantee of that price. Similarly, there can be no guarantee of the price at which New IDX Shares issued to the Sale Agent are sold for Ineligible Shareholders, or the price at which IDX Shares trade which determines any amount of cash paid to Unmarketable Parcel Shareholders. Any cash remitted to Ineligible Shareholders under the Scheme will depend on the market price of IDX Shares at the relevant time. Refer to Section 11 for a non-exhaustive list of risk factors relevant to the Merged Group.

Defined terms

Capitalised terms and certain abbreviations used in this Scheme Booklet have the meanings set out in the Glossary in Section 14. If a word or phrase is defined, its other grammatical forms have a corresponding meaning. The documents reproduced in the attachments to this Scheme Booklet may have their own defined terms, which may be different from those in the Glossary.

Charts and diagrams

Any diagrams, charts, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in diagrams, charts, graphs and tables is based on information available as at the Last Practicable Date.

References to time

All references to times in this Scheme Booklet are references to time in Melbourne, Victoria, Australia, unless otherwise stated.

References to currency

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated.

Effect of rounding

Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding, unless otherwise indicated. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

Any discrepancies between totals in tables and sums of components contained in this Scheme Booklet and between those figures and figures referred to in other parts of this Scheme Booklet are due to rounding. All financial operational information set out in this Scheme Booklet is current as at the Last Practicable Date, unless otherwise stated.

Queries

If you have any questions or require any further information, you can call the Scheme Information Line on 1300 441 601 (within Australia) or +61 2 9698 7164 (outside Australia), Monday to Friday (excluding public holidays), between 8.30am and 7.00pm.

Date of Scheme Booklet

This Scheme Booklet is dated 24 September 2024.

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1. KEY DATES

EVENT	DATE AND TIME
Date of this Scheme Booklet	24 September 2024
Proxy Form for Scheme Meeting Latest time and date for receipt of Proxy Forms	11.00am on Tuesday, 29 October 2024
Record Date for Scheme Meeting Time and date for determining eligibility to vote at the Scheme Meeting	7.00pm on Tuesday, 29 October 2024
Scheme Meeting to be held at the offices of Maddocks, Level 25, Tower 2, 727 Collins Street, Melbourne Victoria	11.00am on Thursday, 31 October 2024

If the Scheme is approved by the Requisite Majorities, the expected timetable for implementation of the Scheme is set out below.

All of these dates are indicative only and, among other things, are subject to all necessary approvals from the Court and any relevant Government Agency. Any changes to the remainder of the timetable (which may include an earlier or later date for the Second Court Date) will be announced through the ASX website (<https://www.asx.com.au/>).

All references to time are references to Melbourne, Victoria, Australia time.

Capitol Shareholders who have elected to receive communications electronically will receive an email which contains instructions about how to download a copy of this Scheme Booklet, and to lodge their proxy vote online. This Scheme Booklet will also be available for viewing and downloading on the Capitol website at <https://www.capitolhealth.com.au/>.

EVENT	DATE AND TIME
Second Court Date to seek Court orders approving the Scheme	10.15am on Friday, 1 November 2024
Effective Date on which the Scheme comes into effect and is binding on Capitol Shareholders Last day of trading in Capitol Shares on ASX (with Capitol Shares suspended from close of trading)	Monday, 4 November 2024
New IDX Shares commence trading on ASX on a deferred settlement basis	Tuesday, 5 November 2024
Scheme Record Date for determining entitlements to Scheme Consideration	7:00pm on Thursday, 7 November 2024
Implementation Date The date on which the Scheme will be implemented and the Scheme Consideration will be issued	Thursday, 14 November 2024
New IDX Shares commence trading on ASX on a normal basis	Friday, 15 November 2024
Delisting of Capitol from ASX	Friday, 15 November 2024

2. LETTER FROM THE CHAIRMAN OF CAPITOL



Dear Capitol Shareholder

On behalf of the Capitol Directors, I am pleased to introduce this Scheme Booklet, which contains information for your consideration in relation to the proposed merger of Capitol and IDX.

The merger (which will be effected by the Scheme) will bring together two highly complementary businesses and is expected to provide a platform to enable our radiologists, technicians and staff to deliver improved clinical outcomes for our patients, doctors, technicians, referrers and staff and to create a leader in diagnostic imaging in Australia and New Zealand. The Merged Group will have a footprint of 151 clinics supported by approximately 350 radiologists (including contractors) and approximately 3,000 employees.

The merger is also expected to provide Capitol Shareholders with the opportunity to realise potential significant benefits through scale, enhanced internal capability, and organic growth.

This Scheme Booklet sets out important information to assist you in deciding how to vote at the Scheme Meeting at which Capitol Shareholders will vote on whether or not to approve the Scheme.

The Scheme

Following the announcement on 17 June 2024 that Capitol had entered into the Process Deed, Capitol announced that it had entered into a merger implementation deed (the **MID**) with IDX on 18 July 2024, under which it is proposed that IDX will acquire all of the Capitol Shares on issue by way of a scheme of arrangement.

If the Scheme is approved and implemented, Capitol Shareholders (other than Ineligible Shareholders) will receive 0.12849 New IDX Shares for each Capitol Share held at the Scheme Record Date. As explained in Section 7.5 of this Scheme Booklet, Ineligible Shareholders will receive either the Net Proceeds of the sale by the Sale Agent of, or a cash amount based on the market value of, the New IDX Shares to which they would have otherwise been entitled. A Capitol Shareholder will be an Ineligible Shareholder if their registered address is outside of Australia or New Zealand (unless IDX determines that it is lawful and not unduly onerous or impracticable to issue them with New IDX Shares) or they would be issued with less than \$500 worth of New IDX Shares under the Scheme. On implementation of the Scheme, Capitol Shareholders will own approximately 37% of the Merged Group (assuming there are no Ineligible Shareholders).

Implementation of the Scheme is subject to certain Conditions, including approval by the Requisite Majorities, Court approval, informal clearance from the ACCC, that no IDX Prescribed Occurrence or Capitol Prescribed Occurrence occurs, and other customary conditions. Details regarding the Conditions are set out in Section 13.4 of this Scheme Booklet.

Directors' recommendation

The Capitol Directors have carefully considered the reasons to vote in favour of and against the Scheme and have unanimously recommended that Capitol Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders. Subject to these same qualifications, each of the Capitol Directors will vote all Capitol Shares that they hold or control in favour of the Scheme.

The interests of the Capitol Directors, including the number and description of Capitol Shares held by or on behalf of them, are set out in Section 13.2 of this Scheme Booklet.

The non-executive Capitol Directors will receive on or before the Implementation Date, exertion fees in aggregate of \$380,000 to recognise the additional time and effort spent in the evaluation, design and negotiation of the proposed merger. The payment of the exertion fees is not dependent on implementation of the Scheme.

Finally, Ms Laura McBain and Dr Kevin Shaw, being non-executive Capitol Directors, have been invited to join the IDX Board and Mr Justin Walter will transition into the role of Chief Integration Officer of the Merged Group, in each case from the Implementation Date.

Mr Walter holds 5,012,530 Performance Rights issued in November 2022 and November 2023 which, in accordance with the terms of his employment agreement, will automatically vest and be exercised into Capitol Shares on the Effective Date and, if the Scheme is implemented, will be acquired by IDX in exchange for the issue of 644,059 New IDX Shares on the Implementation Date. As at the Last Practicable Date, Mr Walter owned 4,672,145 Capitol Shares which, if the Scheme is implemented, will be acquired by IDX in exchange for the issue of 600,323 New IDX Shares. Based on the closing price of IDX Shares as at the Last Practicable Date of \$2.57 per IDX Share, the total value of the New IDX Shares which Mr Walter will receive on the Implementation Date is approximately \$3,198,062. As set out in Section 13.2 of this Scheme Booklet, on or before the Implementation Date, Mr Walter will receive a cash payment of \$547,500 being his STI entitlements for FY25 in accordance with his employment contract. Mr Walter is also entitled to receive a Retention Payment of \$365,000 (payment of which is not dependent on implementation of the Scheme), details of which are set out in Section 13.2 of this Scheme Booklet.

If the Scheme does not proceed, the Performance Rights held by Mr Walter will remain on issue and will vest subject to the existing vesting conditions and Mr Walter's STI entitlements will not be paid early.

2. LETTER FROM THE CHAIRMAN OF CAPITOL CONTINUED

When considering the recommendation of the Capitol Directors to vote in favour of the Scheme (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders), and the voting intentions of the Capitol Directors, Capitol Shareholders should have regard to the interests of the Capitol Directors summarised above and set out in more detail in Section 13.2 of this Scheme Booklet. The Capitol Directors (including Mr Walter) consider that, despite these interests, it is important and appropriate for each of them to make a recommendation to Capitol Shareholders about how to vote at the Scheme Meeting.

The Capitol Directors have concluded that the Scheme is compelling for Capitol Shareholders for a range of reasons, including:

- the Scheme will result in a Merged Group that provides significantly enhanced scale;
- the Scheme will result in a Merged Group that provides a platform to deliver improved outcomes for patients, doctors and referrers;
- the combination of the Capitol and IDX businesses as a result of the Scheme is expected to deliver \$10 million of anticipated annual pre-tax net cost synergies, provide opportunities for additional administrative and revenue synergies and improve ability to invest in growth;¹
- the Scheme Consideration represents an attractive premium to the recent undisturbed trading price of Capitol Shares;
- the Scheme Consideration means that Capitol Shareholders will be shareholders in the Merged Group and will access the benefits of combining with IDX, while retaining exposure to Capitol's current business;
- the Independent Expert has concluded that the Scheme is in the best interests of Capitol Shareholders in the absence of a Superior Proposal;
- no Competing Proposal has emerged since the announcement of the Process Deed on 17 June 2024;
- if the Scheme does not proceed, and no Superior Proposal emerges, the Capitol Share price may fall in the near term;
- no brokerage charges on transfer of existing Capitol Shares under the Scheme; and
- Scheme Shareholders that are residents for Australian tax purposes may be eligible to claim CGT relief for gains made from the disposal of their Scheme Shares.

In forming their view that the Scheme is in the best interest of Capitol Shareholders, the Capitol Directors considered the disadvantages of the Scheme proceeding, including that:

- the future value of IDX Shares is not certain;
- Capitol Shareholders may wish to confine their investment and exposure to a business with Capitol's specific characteristics and not wish to have exposure to the Merged Group's business or risk profile;
- Capitol Shareholders may consider that there is potential for a Superior Proposal to be made in the foreseeable future; and
- Capitol Shareholders may consider that there are risks associated with the integration of Capitol and IDX which exceeds the benefit of the Scheme.

These considerations for and against voting in favour of the Scheme are described further in Section 4 of this Scheme Booklet.

Independent Expert

Capitol appointed KPMG Financial Advisory Services (Australia) Pty Ltd as the Independent Expert to assess the merits of the Scheme and to provide an opinion as to whether the Scheme is in the best interests of Capitol Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore the Scheme is in the best interests of Capitol Shareholders in the absence of a Superior Proposal.

The Independent Expert has assessed the fully diluted value of a Capitol Share and an IDX Share at between \$0.278 and \$0.325 and \$2.50 and \$2.70, respectively.

The Independent Expert has assessed the value of the Scheme Consideration, which has a merger ratio of 0.12849 New IDX Shares for each Capitol Share, to be in the range of \$0.321 to \$0.347. The Scheme Consideration falls within or above the value range of a Capitol Share assessed by the Independent Expert.

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy of which is included in Annexure 1 of this Scheme Booklet. The Capitol Directors encourage Capitol Shareholders to read this report in its entirety.

1. See Section 10.2 for further information in relation to anticipated synergies.

How to vote

The Scheme can only be implemented if it is approved by the Requisite Majorities at the Scheme Meeting.

Your vote is important and the Capitol Directors encourage you to vote in person, or by proxy, representative or attorney. The Scheme Meeting is to be held at the offices of Maddocks, Level 25, Tower Two, 727 Collins Street, Melbourne Victoria, at 11.00am on Thursday, 31 October 2024.

If you wish the Scheme to proceed, it is important that you vote in favour of the Scheme Resolution.

Details on how to vote at the Scheme Meeting are set out in the Notice of Scheme Meeting at Annexure 5 of this Scheme Booklet.

Final Dividend

On 27 August 2024, Capitol announced the Final Dividend. The Final Dividend is proposed to be paid on 21 October 2024 to Capitol Shareholders on the Capitol Share Register as at 23 September 2024. Capitol Shareholders will receive the Final Dividend whether or not the Scheme is implemented.

Further information

This Scheme Booklet sets out important information relating to the Scheme and the reasons why the Capitol Directors have made their recommendations, together with the Independent Expert's Report. This Scheme Booklet also sets out some of the reasons why you may wish to vote against the Scheme.

Please read this document carefully and in its entirety. It will assist you in making an informed decision on how to vote. The Capitol Directors also recommend that you seek independent financial, legal and taxation advice before making any decision in relation to your Capitol Shares.

If you have any questions in relation to this Scheme Booklet or the Scheme you should contact the Scheme Information Line on 1300 441 601 (within Australia) or +61 2 9698 7164 (outside of Australia) between 8.30am and 7.00pm on Business Days.

On behalf of the Capitol Directors, I would like to take this opportunity to thank you for your ongoing support of Capitol and I look forward to your participation at the Scheme Meeting.

Yours sincerely



Andrew Demetriou
Non-Executive Chairman
Capitol Health Limited

3. LETTER FROM THE CHAIR OF IDX



Tuesday, 24 September 2024

Dear Capitol Shareholder

The IDX Board is pleased to provide you with the opportunity to participate in the transformative merger of IDX and Capitol. This merger will create a leader in diagnostic imaging across Australia and New Zealand, with materially larger scale, an enhanced clinical offering and greater ability to invest in growth for the benefit of our combined patients, doctors and shareholders.

The combination of IDX and Capitol is supported by the Capitol Board, who unanimously recommend that Capitol Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders.² The Independent Expert has concluded that the Scheme is in the best interests of Capitol Shareholders, in the absence of a Superior Proposal.

IDX is a pure-play ASX-listed provider of diagnostic imaging services in Australia, with a strong presence across Queensland, Victoria, Western Australia and New Zealand. Combined, the Merged Group will operate 151 clinics, supported by approximately 350 radiologists (including contractors) and approximately 3,000 employees.

IDX expects the merger to deliver several strategic and financial benefits, including:

- **Significantly Enhanced Scale:** The Merged Group will have a geographically diversified portfolio, combining two highly complementary businesses to create a market leader in diagnostic imaging services in Australia and New Zealand.
- **Platform to Drive Best-in-Class Clinical Outcomes:** The Merged Group will provide industry leadership in driving enhanced patient outcomes and clinical processes through deep combined clinical expertise and a wider network of doctors, supported by innovative technology such as artificial intelligence-driven detection capabilities and enhanced workflows.
- **Financially Attractive Opportunity:** A combined IDX and Capitol will have significantly greater financial scale than each standalone business, with Merged Group pro forma historical revenue of \$705 million, Operating EBITDA of \$141 million and Operating EBITDA after cash lease payments of \$106 million³ for FY24. This does not include at least \$10 million of anticipated annual pre-tax net cost synergies.⁴
- **Well-Positioned for Future Growth:** The Merged Group will have a strong balance sheet with pro forma leverage of 2.6x⁵ as at 30 June 2024 (which is expected to continue trending downwards), and a strong financial position to pursue further value-accretive investments, including M&A. A stronger financial position will also enable continued investment in high-end imaging modalities, such as MRI and PET/CT, and will provide opportunities to grow teleradiology volumes through the IDXt platform.

Please refer to Section 4 of this Scheme Booklet for the key advantages and disadvantages of the Scheme that were considered by the Capitol Directors when making their unanimous recommendation that Capitol Shareholders vote in favour of the Scheme.

Capitol Shareholders should also carefully consider the risks in relation to the creation of, and the business and operations of, the Merged Group set out in Section 11 of this Scheme Booklet.

As a Capitol Shareholder, your vote is important to ensure that the Scheme is implemented, and the benefits of the merger can be realised.

The IDX Board believes that the Scheme is an exciting, transformational opportunity for Capitol Shareholders. We look forward to your participation at the Scheme Meeting to be held at 11.00am on Thursday, 31 October 2024 and encourage you to vote in favour of the Scheme.

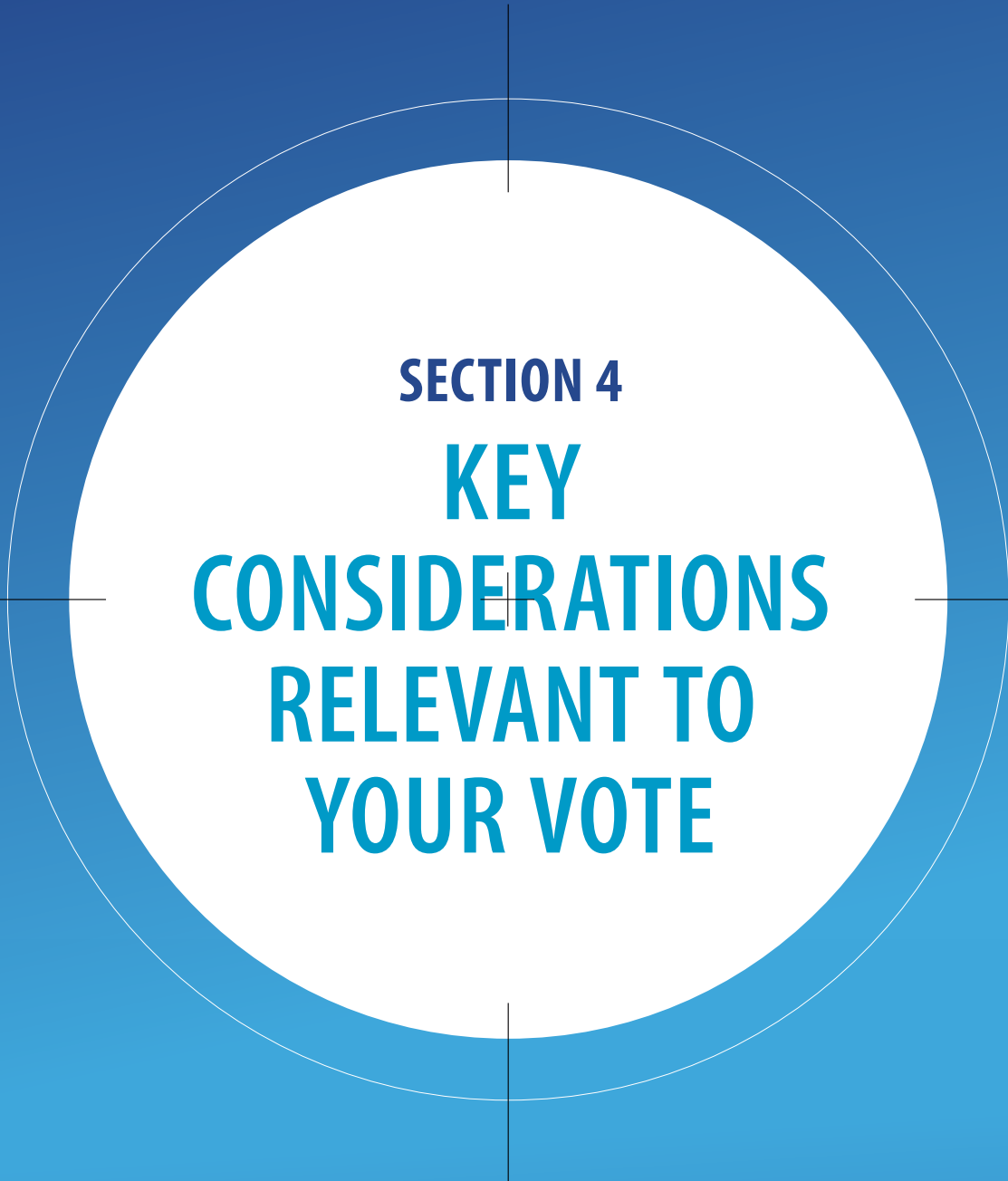
Yours sincerely

Toby Hall
Chair

Integral Diagnostics Limited

- Capitol Shareholders should note the interests of Capitol Directors when considering this recommendation. Details of those interests are set out in Section 13.2. Capitol's Managing Director and Chief Executive Officer, Mr Justin Walter, will receive 1,244,382 New IDX Shares in relation to his Performance Rights and Capitol Shares and a cash payment of approximately \$547,500 in relation to his STIs if the Scheme becomes Effective and is implemented. The Capitol Directors, including Mr Walter, consider that notwithstanding these arrangements it is appropriate for Mr Walter to make a recommendation on the Scheme given Mr Walter's role in the operation and management of Capitol and that Capitol Shareholders would wish to know Mr Walter's views on the Scheme.
- Operating EBITDA after cash lease payments calculated as Merged Group pro forma Operating EBITDA less Capitol cash lease payments of \$14.6 million and IDX cash lease payments of \$20.5 million.
- See Section 10.2 for further information in relation to the anticipated synergies.
- Leverage ratio is calculated as net debt divided by EBITDA, using IDX and Capitol adjusted net debt (excluding lease liabilities) as at 30 June 2024 of \$183.5 million and \$64.5 million respectively. Net debt, which comprises borrowings net of cash, has been adjusted to include IDX and Capitol total off-balance sheet bank guarantees and other debt-like items of \$9.0 million. Merged Group net debt has been adjusted to include the post-tax estimated transaction costs related to the Scheme of \$20.5 million (\$0.3 million of total post-tax transaction costs of \$20.8 million related to the Scheme have already been paid by IDX and Capitol in FY24), post-tax estimated one-off integration costs of \$8.8 million, and accelerated Capitol joint venture liability costs of \$21.2 million. EBITDA based on IDX Operating EBITDA after cash lease payments of \$71.0 million, Capitol Operating EBITDA after cash lease payments of \$34.7 million and \$10 million of anticipated annual pre-tax net cost synergies.

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SECTION 4
KEY
CONSIDERATIONS
RELEVANT TO
YOUR VOTE

4. KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

This Section sets out the reasons why the Capitol Directors consider that Capitol Shareholders should vote in favour of the Scheme. Whilst the Capitol Directors acknowledge that there may be reasons for Capitol Shareholders to vote against the Scheme (see Section 4.2, 'Reasons why you might vote against the Scheme'), they believe that the reasons to vote in favour of the Scheme outweigh the reasons to vote against the Scheme.

Summary of reasons why you might vote in favour of or against the Scheme.

REASONS WHY YOU MIGHT VOTE IN FAVOUR OF THE SCHEME

- ✓ The Scheme will result in a Merged Group that provides significantly enhanced scale.
- ✓ The Scheme will result in a Merged Group that provides a platform to deliver improved outcomes for patients, doctors and referrers.
- ✓ The combination of the Capitol and IDX businesses as a result of the Scheme is expected to deliver \$10 million of anticipated annual pre-tax net cost synergies, provide opportunities for additional administrative and revenue synergies and improve ability to invest in growth.
- ✓ The Scheme Consideration represents an attractive premium to the recent undisturbed trading price of Capitol Shares.
- ✓ The Scheme Consideration means that Scheme Shareholders will be shareholders in the Merged Group and will access the benefits of combining with IDX while retaining exposure to Capitol's current business.
- ✓ The Capitol Directors unanimously recommend that Capitol Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders.⁶
- ✓ The Independent Expert has concluded that the Scheme is in the best interests of Capitol Shareholders, in the absence of a Superior Proposal.
- ✓ No Competing Proposal has emerged since the announcement of the Process Deed.
- ✓ If the Scheme does not proceed, and no Superior Proposal emerges, the Capitol Share price may fall in the near-term.
- ✓ No brokerage charges on transfer of existing Capitol Shares under the Scheme.
- ✓ Scheme Shareholders that are residents of Australia for tax purposes may be eligible to claim CGT roll-over relief for gains made from the disposal of their Scheme Shares.

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6. Capitol Shareholders should note the interests of Capitol Directors when considering this recommendation. Details of those interests are set out in Section 13.2. Capitol's Managing Director and Chief Executive Officer, Mr Justin Walter, will receive 1,244,382 New IDX Shares in relation to his Performance Rights and Capitol Shares and a cash payment of approximately \$547,500 in relation to his STIs if the Scheme becomes Effective and is implemented. The Capitol Directors, including Mr Walter, consider that notwithstanding these arrangements it is appropriate for Mr Walter to make a recommendation on the Scheme given Mr Walter's role in the operation and management of Capitol and that Capitol Shareholders would wish to know Mr Walter's views on the Scheme.

REASONS WHY YOU MIGHT VOTE AGAINST THE SCHEME	
X	Capitol Shareholders may disagree with the Capitol Directors' recommendation and the Independent Expert's conclusion.
X	The value of the Scheme Consideration is not certain.
X	Capitol Shareholders may wish to confine their investment and exposure to a business with Capitol's specific characteristics and not wish to have exposure to the Merged Group's business or risk profile.
X	Capitol Shareholders may consider that there is potential for a Superior Proposal to be made in the foreseeable future. However, since the announcement of the Process Deed on 17 June 2024, no Superior Proposal has emerged.
X	Capitol Shareholders may consider that there are risks associated with the integration of Capitol and IDX which exceed the benefits of the Scheme.
X	Capitol Shareholders may consider that the dividend income from the Merged Group may be lower than the dividend income that has historically been received by Capitol Shareholders.
X	The tax consequences of the Scheme may not be suitable to the financial circumstances or position of individual Capitol Shareholders.

These reasons are discussed in more detail in Sections 4.1 and 4.2 below.

4.1 Reasons why you might vote in favour of the Scheme

This Section 4.1 sets out the reasons why the Capitol Directors consider that Capitol Shareholders should vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders.

4.1.1 The Scheme will result in a Merged Group that provides significantly enhanced scale

The merger combines two highly complementary businesses into a more geographically diversified portfolio, with a total footprint of 151 clinics across Victoria, Queensland, Western Australian, Tasmania, South Australia, New South Wales, and New Zealand. The enhanced operating and financial scale when compared to each standalone business of Capitol and IDX, is expected to create the following benefits for the Merged Group:

- (a) improved ability to attract and retain highly skilled radiologists and clinical staff;
- (b) enable a wider breadth of patient services to be provided;
- (c) increased opportunity to invest in technology and artificial intelligence; and
- (d) significant clinical and non-clinical procurement benefits.

4.1.2 The Scheme will result in a Merged Group that provides a platform to deliver improved outcomes

The combination of IDX and Capitol is expected to enhance and deepen clinical expertise across a wider network, promoting sub-specialty reporting and peer review opportunities to ensure the highest service quality.

The merger is expected to cross-pollinate strengths and principles from both Capitol and IDX including an advanced clinical governance framework and increased training, fellowship and research opportunities for radiologists.

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4. KEY CONSIDERATIONS RELEVANT TO YOUR VOTE CONTINUED

4.1.3 The combination of the Capitol and IDX businesses is expected to deliver \$10 million of anticipated annual pre-tax net cost synergies, provide opportunities for additional administrative and revenue synergies and improve ability to invest in growth

The Capitol Board expects that the successful implementation of the Scheme and the creation of the Merged Group will lead to a number of benefits including:

- (a) \$10 million of anticipated annual pre-tax net cost synergies (which would otherwise not be available to Capitol or IDX on a standalone basis) and the opportunity for additional administrative and revenue synergies;⁷ and
- (b) creating a Merged Group which is well-positioned for future growth and with an improved ability to invest in higher-end modalities as well as other value-accretive investments.

As explained in Section 10, the IDX Board has similar expectations as to the benefits of the Merged Group.

4.1.4 The Scheme Consideration represents an attractive premium to the recent undisturbed trading price of Capitol Shares

Based on the undisturbed \$2.54 closing price of IDX Shares and \$0.245 closing price of Capitol Shares on 14 June 2024, being the last trading day before announcement of the Process Deed, the Scheme Consideration, being 0.12849 IDX Shares per Capitol Share, represents implied value of \$0.3264 per Capitol Share, which represents a 33% premium to the \$0.245 closing price of Capitol Shares on 14 June 2024.

Based on the \$2.57 closing price of IDX Shares on the Last Practicable Date, the Scheme Consideration represents implied value of \$0.330 per Capitol Share.

4.1.5 The Scheme Consideration means that Scheme Shareholders will be shareholders in the Merged Group

Upon implementation, Scheme Shareholders will own approximately 37% of IDX (assuming there are no Ineligible Shareholders).

The Scheme Consideration means that Scheme Shareholders (other than Ineligible Shareholders) will be shareholders in the Merged Group and will access the benefits of combining with IDX, while retaining exposure to Capitol's current business.

4.1.6 The Capitol Directors unanimously recommend that Capitol Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders

The Capitol Directors have assessed the merits of the Scheme and unanimously recommend that Capitol Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders.⁸

The Capitol Directors believe the Scheme Consideration recognises the value of both Capitol's existing business and its medium and long term potential.

Each of the Capitol Directors will vote all Capitol Shares that they hold or control in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders.

7. See Section 10.2 for further information in relation to the anticipated synergies.

8. Capitol Shareholders should note the interests of Capitol Directors when considering this recommendation. Details of those interests are set out in Section 13.2. Capitol's Managing Director and Chief Executive Officer, Mr Justin Walter, will receive 1,244,382 New IDX Shares in relation to his Performance Rights and Capitol Shares and a cash payment of approximately \$547,500 in relation to his STIs if the Scheme becomes Effective and is implemented. The Capitol Directors, including Mr Walter, consider that notwithstanding these arrangements it is appropriate for Mr Walter to make a recommendation on the Scheme given Mr Walter's role in the operation and management of Capitol and that Capitol Shareholders would wish to know Mr Walter's views on the Scheme.

4.1.7 The Independent Expert has concluded that the Scheme is in the best interests of Capitol Shareholders, in the absence of a Superior Proposal

Capitol appointed KPMG Financial Advisory Services (Australia) Pty Ltd as the Independent Expert to assess the merits of the Scheme and to provide an opinion as to whether the Scheme is in the best interests of Capitol Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore is in the best interests of Capitol Shareholders, in the absence of a Superior Proposal.

The Independent Expert has assessed the value of the Scheme Consideration, which has a merger ratio of 0.12849 New IDX Shares for each Capitol Share, to be in the range of \$0.321 to \$0.347. The Scheme Consideration falls within or above the value range of a Capitol Share assessed by the Independent Expert.

A copy of the Independent Expert’s Report is included in Annexure 1 to this Scheme Booklet and the Capitol Directors encourage Capitol Shareholders to read that report in full.

4.1.8 No Competing Proposal has emerged since the announcement of the Process Deed

Between the announcement of the Process Deed on 17 June 2024 and the date of this Scheme Booklet, no Competing Proposal or Superior Proposal has emerged.

The Capitol Directors have not become aware of any Competing Proposal or Superior Proposal and have no basis for believing that they will receive any such proposal.

4.1.9 If the Scheme does not proceed, and no Superior Proposal emerges, the Capitol Share price may fall in the near-term

On 14 June 2024, prior to the announcement of the Process Deed, the closing price of Capitol Shares was \$0.245 per share.

If the Scheme is not implemented, and in the absence of a Superior Proposal, the price of Capitol Shares on the ASX may fall, including to a price that is significantly below the implied value of the Scheme Consideration on the Last Practicable Date, being \$0.330 per Capitol Share, and below the price at which Capitol Shares have traded prior to the announcement of the Process Deed on 17 June 2024 and the announcement of the MID on 18 July 2024.

The closing share price of Capitol:

- (a) on 14 June 2024, being the last trading day before the announcement of the Process Deed, was \$0.245;
- (b) on 17 July 2024, being the last trading day before the announcement of the MID, was \$0.295; and
- (c) on the Last Practicable Date, was \$0.320.

The graph below shows the Capitol Share price over the last 2 years to the Last Practicable Date:



Source: IRESS market data as at Last Practicable Date.

The current price of Capitol Shares can be obtained from the ASX website (www.asx.com.au/).

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4. KEY CONSIDERATIONS RELEVANT TO YOUR VOTE CONTINUED

4.1.10 No brokerage charges on transfer of existing Capitol Shares under the Scheme

Capitol Shareholders will not incur brokerage on the transfer of their Capitol Shares to IDX under the Scheme. If Capitol Shareholders sell their Capitol Shares on ASX (rather than disposing of them via the Scheme), they may incur brokerage charges (and, potentially, GST on those charges).

Brokerage fees may be deducted in determining the Net Proceeds payable to Ineligible Shareholders – see FAQ 16, 22, and 25 to 27.

4.1.11 Scheme Shareholders that are residents of Australia for tax purposes may be eligible to claim CGT roll-over relief for any gains made from the disposal of their Scheme Shares

The transfer of Capitol Shares to IDX under the Scheme will trigger a CGT event for Australian tax purposes for Scheme Shareholders that hold their Scheme Shares on capital account. The CGT event will be deemed to occur when the Capitol Shares are transferred, which will be on the Implementation Date. Australian tax resident Capitol Shareholders who realise a capital gain from this transfer might qualify for CGT scrip-for-scrip roll-over relief, assuming they meet the necessary conditions. The Capitol Directors have applied for a Class Ruling from the Commissioner of Taxation to confirm the availability of scrip-for-scrip rollover relief. For more details on the tax implications of the Scheme in Australia, please see Section 12.

4.2 Reasons why you might vote against the Scheme

Although the Capitol Board unanimously recommends that Capitol Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders, some of the factors which may lead Capitol Shareholders to vote against the Scheme are set out below.

4.2.1 Capitol Shareholders may disagree with the Capitol Directors' recommendation and the Independent Expert's conclusion

In concluding the Scheme is in the best interests of the Capitol Shareholders, in the absence of a Superior Proposal the Capitol Directors and the Independent Expert are making judgments based on future trading conditions and events which cannot be predicted with any certainty and which may prove to be inaccurate (positively or negatively). Capitol Shareholders may hold a different view from, and are not obliged to follow the recommendation of, the Capitol Directors, and they may not agree with the Independent Expert's conclusion.

4.2.2 The value of the Scheme Consideration is not certain

If the Scheme is implemented, Scheme Shareholders (other than Ineligible Shareholders) will receive Scheme Consideration in the form of 0.12849 New IDX Shares for each Capitol Share held as at the Scheme Record Date.

If the Scheme is approved by Capitol Shareholders and implemented, the trading value of the New IDX Shares received as Scheme Consideration will depend on the price at which IDX Shares trade on ASX. The price of IDX Shares may rise or fall based on market conditions and the financial and operational performance of the Merged Group.

Accordingly, there is no guarantee as to the future value of the Scheme Consideration to be received by Capitol Shareholders if the Scheme is implemented.

4.2.3 Capitol Shareholders may wish to confine their investment and exposure to a business with Capitol's specific characteristics and may not wish to have exposure to the Merged Group's business or risk profile

Capitol Shareholders may wish to keep their Capitol Shares and preserve their investment in a publicly listed company with the specific characteristics of Capitol.

Even though the businesses of Capitol and IDX are largely complementary, the geographic locations exposures and risk profile of the two companies on a standalone basis are different. Sections 8 and 9 of this Scheme Booklet set out further detail on the standalone businesses of Capitol and IDX respectively.

Implementation of the Scheme may present a disadvantage if a Capitol Shareholder does not want to change their investment profile.

Capitol Shareholders should read this Scheme Booklet carefully to understand the implications of the Scheme and should seek investment, legal, or other professional advice in relation to their own circumstances. Further information on the Merged Group can be found in Section 10.

4.2.4 Capitol Shareholders may consider that there is potential for a Superior Proposal to be made in the foreseeable future

It is possible that, if Capitol were to continue as an independent listed entity, a Superior Proposal for Capitol could materialise in the future. Implementation of the Scheme will mean that Capitol Shareholders will not receive the benefit of any such proposal.

Between the announcement of the Process Deed on 17 June 2024 and the date of this Scheme Booklet, no Competing Proposal or Superior Proposal has emerged.

The Capitol Directors have not become aware of any Competing Proposal or Superior Proposal and have no basis for believing that they will receive any such proposal.

4.2.5 Capitol Shareholders may consider that there are risks associated with the integration of Capitol and IDX which exceed the benefits of the Scheme

Capitol Shareholders may believe that the integration of Capitol and IDX will be more complicated, may take more time or may require additional costs which are not anticipated at this point in time. Additionally, Capitol Shareholders may also believe that a failure to achieve a meaningful level of benefits (including any anticipated synergies) within an acceptable timeframe or in their entirety may have an unforeseen or adverse effect on the operations, financial performance, cash flows or financial position of the Merged Group.

Further details on the risks associated with the integration of Capitol and IDX can be found in Section 11.

4.2.6 Capitol Shareholders may consider that the dividend income from the Merged Group may be lower than the dividend income that has historically been received by Capitol Shareholders

Capitol Shareholders have historically been paid a dividend on a biannual basis since 2018. Section 8.8 sets out the historical detail of Capitol's dividend payments.

Following implementation of the Scheme, IDX intends to maintain its existing dividend policy as set out in Section 9.6.

There is no guarantee as to the payment of future dividends by the Merged Group if the Scheme is implemented. Section 10.4.4 sets out the intention of the Merged Group with respect to future dividend payments.

4.2.7 The tax consequences of the Scheme may not be suitable to the financial circumstances or position of individual Capitol Shareholders

Implementation of the Scheme may trigger taxation consequences for Capitol Shareholders. A general summary of the Australian taxation implications of the Scheme is set out in Section 12. This summary is expressed in general terms only and Capitol Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

4.3 Additional considerations relating to the Scheme

Capitol Shareholders should also consider the following additional considerations in deciding whether to vote in favour of, or against, the Scheme.


4.3.1 The Scheme may be implemented even if an individual Capitol Shareholder votes against the Scheme or does not vote at all

Individual Capitol Shareholders should be aware that if they do not vote, or if they vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities at the Scheme Meeting, the Scheme is approved by the Court, and if the other Conditions are satisfied or waived (where capable of waiver). If this occurs, the Scheme Shares of those Capitol Shareholders held on the Scheme Record Date will be transferred to IDX and they will receive the Scheme Consideration (other than Ineligible Shareholders) even though they voted against, or did not vote on, the Scheme Resolution at the Scheme Meeting.

4.3.2 Conditionality of the Scheme

Implementation of the Scheme is subject to the Conditions summarised in Section 13.4 and set out in full in clause 3.1 of the MID. If the Conditions are not satisfied or waived (where capable of waiver), the Scheme will not become Effective and Capitol Shareholders will not receive the Scheme Consideration.

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SECTION 5
FREQUENTLY
ASKED
QUESTIONS

5. FREQUENTLY ASKED QUESTIONS

This Scheme Booklet contains detailed information on the proposed Scheme. The following Section provides summary answers to some questions Capitol Shareholders may have in relation to the Scheme and will assist them to locate further detailed information in this Scheme Booklet.

QUESTION	ANSWER	SECTION REFERENCES
<p>An overview of the Scheme</p>		
<p>1. Why have I received this Scheme Booklet?</p>	<p>This Scheme Booklet has been sent to you because you are a Capitol Shareholder. All Capitol Shareholders are being asked to vote on the Scheme Resolution to approve the Scheme, which, if approved (and if the other Conditions to the Scheme are satisfied or waived (where capable of waiver)), will result in IDX acquiring all of your Capitol Shares for the Scheme Consideration.</p> <p>This Scheme Booklet is intended to help you to decide how to vote at the Scheme Meeting. The Scheme Resolution needs to be passed by the Requisite Majorities for the Scheme to proceed.</p> <p>If you are no longer the holder of any Capitol Shares, please disregard this Scheme Booklet as you will not be entitled to vote at the Scheme Meeting.</p>	<p>Letter from the Chairman of Capitol, and Annexure 3</p>
<p>2. What is the Scheme?</p>	<p>The Scheme is the proposed acquisition by IDX of Capitol to be implemented by way of a scheme of arrangement under Part 5.1 of the Corporations Act between Capitol and Capitol Shareholders. If the Scheme becomes Effective, each Capitol Shareholder (other than Ineligible Shareholders) will receive the Scheme Consideration equal to 0.12849 New IDX Shares for each Capitol Share held at the Scheme Record Date.</p> <p>A copy of the Scheme is included at Annexure 3 of this Scheme Booklet.</p>	<p>Section 7 and Annexure 3</p>
<p>3. What is a scheme of arrangement and why has this transaction been structured as a scheme of arrangement?</p>	<p>A scheme of arrangement is a way of implementing an acquisition of shares under the Corporations Act and is commonly used in transactions in Australia that may result in a change of ownership or control of a public company such as Capitol.</p> <p>Effecting the transaction by way of the Scheme is believed to be the most efficient structure to implement the merger of Capitol and IDX.</p>	<p>Section 7 and Annexure 3</p>

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5. FREQUENTLY ASKED QUESTIONS CONTINUED

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QUESTION	ANSWER	SECTION REFERENCES
Questions about IDX		
4. Who is IDX?	<p>IDX is the company that is offering the Scheme Consideration for your Capitol Shares.</p> <p>Listed on ASX in 2015, IDX is an Australian and New Zealand healthcare services company whose main activity is providing diagnostic imaging services to referrers (general practitioners, medical specialists, and allied health professionals) and their patients.</p> <p>IDX provides diagnostic imaging services through a network of 90 sites in five regional geographic markets in Victoria, New South Wales, Queensland, Western Australia and New Zealand, as well as providing teleradiology services through its proprietary platform, IDXt.</p> <p>For more information on IDX please see Section 9 and the IDX website (https://integraldiagnosics.com.au/).</p>	Letter from the Chair of IDX and Section 9
5. Why does IDX wish to implement the Scheme?	<p>The merger of IDX and Capitol will bring together two highly complementary businesses to create a market leader in diagnostic imaging services in Australia and New Zealand and deliver significant strategic and financial benefits.</p> <p>If the Scheme is implemented, the strengths and capabilities of both companies will be leveraged to establish leadership in diagnostic imaging services, focused on delivering superior clinical outcomes for patients, doctors and referrers, and expanding access to advanced imaging technologies across the region.</p>	Letter from the Chair of IDX and Section 10.3
QUESTION	ANSWER	SECTION REFERENCES
Participation in Scheme		
6. Who is entitled to participate in the Scheme?	Each person who is a Scheme Shareholder, being a Capitol Shareholder as at the Scheme Record Date, will be entitled to participate in the Scheme.	Section 6
7. What is the timetable for the transaction?	If Capitol Shareholders approve the Scheme by the Requisite Majorities, Court approval is obtained and the remaining Conditions are either satisfied or waived (where capable of waiver), the Scheme is expected to be implemented on 14 November 2024. This is based on the current scheduled timetable of key dates set out in Section 1 of this Scheme Booklet, which is subject to change.	Section 1

QUESTION	ANSWER	SECTION REFERENCES
Participation in Scheme		
<p>8. What do the Capitol Directors recommend?</p>	<p>The Capitol Directors unanimously recommend that Capitol Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of Capitol Shareholders.⁹</p> <p>Information regarding each Capitol Director's interests in the outcome of the Scheme is set out in Section 13.2.</p> <p>Section 4.1 includes a summary of the possible reasons to vote in favour of Scheme.</p> <p>Section 4.2 includes a summary of the possible reasons to vote against the Scheme.</p> <p>The Capitol Directors recommend that before voting on the Scheme Resolution at the Scheme Meeting, all Capitol Shareholders to:</p> <ul style="list-style-type: none"> (a) carefully read the contents of this Scheme Booklet (including the Independent Expert's Report); (b) obtain advice from appropriate legal, financial and tax professionals with regards to how the Scheme may impact them; and (c) consider their own preferences, personal and financial circumstances. 	<p>Sections 4 and 13.2</p>
<p>9. How do the Capitol Directors intend to vote?</p>	<p>Each of the Capitol Directors will vote all Capitol Shares that they hold or control in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders.</p>	<p>Section 13.2</p>
<p>10. Do any of the Capitol Directors have additional interests in the Scheme?</p>	<p>Yes, a number of the Capitol Directors have interests in the Scheme. Capitol Shareholders should have regard to those interests when deciding how to vote on the Scheme. A summary of these interests is set out in the letter from the Chairman of Capitol and in Section 13.2.</p>	<p>Letter from the Chairman of Capitol and Section 13.2</p>
<p>11. What is the Independent Expert's conclusion?</p>	<p>The Independent Expert has concluded that, in the absence of a Superior Proposal, the Scheme is fair and reasonable and therefore in the best interests of Capitol Shareholders.</p> <p>The Independent Expert's Report is set out in full in Annexure 1.</p> <p>Capitol Directors recommend that Capitol Shareholders read the Independent Expert's Report in Annexure 1 before making a decision on how to vote on the Scheme.</p>	<p>Letter from the Chairman of Capitol and Annexure 1</p>

9. Capitol Shareholders should note the interests of Capitol Directors when considering this recommendation. Details of those interests are set out in Section 13.2. Capitol's Managing Director and Chief Executive Officer, Mr Justin Walter, will receive 1,244,382 New IDX Shares in relation to his Performance Rights and Capitol Shares and a cash payment of approximately \$547,500 in relation to his STIs if the Scheme becomes Effective and is implemented. The Capitol Directors, including Mr Walter, consider that notwithstanding these arrangements it is appropriate for Mr Walter to make a recommendation on the Scheme given Mr Walter's role in the operation and management of Capitol and that Capitol Shareholders would wish to know Mr Walter's views on the Scheme.

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5. FREQUENTLY ASKED QUESTIONS CONTINUED

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QUESTION	ANSWER	SECTION REFERENCES
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Participation in Scheme

<p>12. What are my options?</p>	<p>You may:</p> <ul style="list-style-type: none"> (a) vote for or against the Scheme Resolution to approve the Scheme; (b) sell your Capitol Shares on-market before the Effective Date or off-market before the Scheme Record Date; or (c) abstain, or do nothing, in which case: <ul style="list-style-type: none"> (i) if the Scheme becomes Effective and is implemented, your Capitol Shares will be transferred to IDX and you will receive the Scheme Consideration (unless you are an Ineligible Shareholder) for all of your Capitol Shares held on the Scheme Record Date; and (ii) if the Scheme does not become Effective, you will continue to hold your Capitol Shares. 	<p>Section 6</p>
<p>13. What should I do?</p>	<p>You should read this Scheme Booklet carefully in its entirety (and seek advice if you have any questions) and then vote by attending the Scheme Meeting in person or by appointing a proxy, corporate representative or attorney to attend the Scheme Meeting on your behalf.</p> <p>Capitol strongly encourages Capitol Shareholders to consider lodging a directed proxy before the Scheme Meeting in the event that they are not able to participate in the Scheme Meeting.</p>	<p>Section 6</p>

QUESTION	ANSWER	SECTION REFERENCES
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The Scheme Consideration

<p>14. What will I receive if the Scheme becomes Effective and is implemented?</p>	<p>If the Scheme becomes Effective and is implemented and you are a Scheme Shareholder (being a Capitol Shareholder on the Scheme Record Date), you will receive the Scheme Consideration (unless you are an Ineligible Shareholder) on the Implementation Date.</p>	<p>Section 7.3</p>
<p>15. What is the Scheme Consideration?</p>	<p>If the Scheme becomes Effective and is implemented, Capitol Shareholders will receive the Scheme Consideration which is 0.12849 New IDX Shares for each Capitol Share they own as at the Scheme Record Date (see FAQ 16 and 25 to 27 in relation to Ineligible Shareholders). The New IDX Shares being issued as Scheme Consideration are new fully paid ordinary shares in IDX which will rank equally in all respects with all other IDX Shares on issue as at the Implementation Date.</p> <p>Please note that the exact number of New IDX Shares that will be issued to you on the Implementation Date will not be confirmed until you receive your holding statement (or other evidence of ownership) following the Implementation Date. Should you deal in your New IDX Shares before receiving your holding statement (or other evidence of ownership) it is your responsibility to ensure that you do not commit to sell more New IDX Shares than will be issued to you.</p>	<p>FAQ 16, 25 to 27 and Section 7.3</p>

QUESTION	ANSWER	SECTION REFERENCES
<p>The Scheme Consideration</p>		
<p>16. Who is an Ineligible Shareholder?</p>	<p>Ineligible Shareholders are:</p> <ul style="list-style-type: none"> (a) Ineligible Foreign Shareholders; and (b) Unmarketable Parcel Shareholders that have not validly elected to receive the Scheme Consideration by completing (and returning by the Effective Date) an election form available from the Capitol Registry. <p>See FAQ 17, 18 and 25 to 27 for further information.</p> <p>Scheme Shareholders may not receive some or all of the Scheme Consideration if the issue of New IDX Shares to which that Scheme Shareholder would otherwise be entitled to under the Scheme would result in a breach of law. The relevant New IDX Shares will be issued to the Sale Agent to be sold.</p> <p>Further details are set out in Section 7.5.3.</p>	<p>Section 7.5</p>
<p>17. When will I be issued the Scheme Consideration?</p>	<p>New IDX Shares will be issued to you by IDX (unless you are an Ineligible Shareholder). Issue of the Scheme Consideration will occur in accordance with the Scheme on the Implementation Date.</p> <p>The Implementation Date is currently expected to be 14 November 2024.</p> <p>If you are an Ineligible Shareholder, either:</p> <ul style="list-style-type: none"> (a) the New IDX Shares that would otherwise be issued to you will be issued to the Sale Agent. The Sale Agent will sell those New IDX Shares and the Net Proceeds of Sale will be remitted to IDX for distribution to Ineligible Shareholders; or (b) if you are an Unmarketable Parcel Shareholder and a Sale Agent is not appointed, you will receive a cash amount equal to the 'market value' (being the volume weighted average price of IDX Shares traded on ASX during the 5 trading days before the Implementation Date) of the New IDX Shares that would have otherwise been issued to you (unless you validly elect to receive the relevant New IDX Shares to be issued as Scheme Consideration by completing (and returning before the Effective Date) an election form available from the Capitol Registry). 	<p>Sections 1, 7.4 and 7.5</p>
<p>18. Can I choose to receive cash instead of New IDX Shares?</p>	<p>No. There is no option for Scheme Shareholders to elect to receive cash instead of New IDX Shares.</p> <p>Any Ineligible Shareholders will receive either:</p> <ul style="list-style-type: none"> (a) the Net Proceeds of the sale of New IDX Shares that would have been issued to them as Scheme Consideration after the sale of the New IDX Shares by the Sale Agent; or (b) if they are an Unmarketable Parcel Shareholder and a Sale Agent is not appointed, a cash amount equal to the 'market value' (being the volume weighted average price of IDX Shares traded on ASX during the 5 trading days before the Implementation Date) of the New IDX Shares that would have otherwise been issued to them unless the Unmarketable Parcel Shareholder validly elects to receive the relevant New IDX Shares to be issued as Scheme Consideration by completing (and returning before the Effective Date) an election form available from the Capitol Registry. 	<p>Sections 7.4 and 7.5</p>

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5. FREQUENTLY ASKED QUESTIONS CONTINUED

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QUESTION	ANSWER	SECTION REFERENCES
The Scheme Consideration		
19. What happens if I am entitled to a fraction of the Scheme Consideration?	If a Capitol Shareholder becomes entitled to a fraction of a New IDX Share as Scheme Consideration, then the fractional entitlement to the New IDX Share will be rounded down to the nearest whole number (but such rounding will not create an entitlement to less than one New IDX Share).	Section 7.4
20. What happens if the market price of IDX Shares increases or decreases?	The implied value of the Scheme Consideration may increase or decrease prior to the Implementation Date based on movements of the IDX Share price. Irrespective of any movements in the IDX Share price you (or the Sale Agent, as applicable) will receive the Scheme Consideration, being 0.12849 New IDX Shares for every Scheme Share held on the Scheme Record Date.	Section 7.3
21. What warranties do I give?	Under the Scheme, each Scheme Shareholder is deemed to have warranted to IDX on the Implementation Date (and is deemed to have authorised Capitol to warrant to IDX on the Implementation Date as agent and attorney for the Scheme Shareholder) that: (a) all their Capitol Shares (including any rights and entitlements attaching to those Capitol Shares) will, at the date of the transfer of them to IDX, be fully paid and free from all Encumbrances, third parties interests (whether legal or equitable), or restrictions on transfer of any kind; (b) they have full power and capacity to sell and to transfer their Capitol Shares, (including any rights and entitlements attaching to those Capitol Shares) to IDX under the Scheme; and (c) they have no existing right to be issued any Capitol Shares, or other securities in Capitol.	Section 7.11
22. Will I have to pay brokerage fees on the disposal of my Capitol Shares?	Scheme Shareholders will not pay brokerage fees on the disposal of their Capitol Shares pursuant to the Scheme. Brokerage (and other costs) may however be deducted from the proceeds of sale by the Sale Agent of New IDX Shares that would otherwise have been issued to Ineligible Shareholders.	Section 4.1.10
23. Will I be entitled to scrip-for-scrip CGT roll-over relief?	Scheme Shareholders who are residents of Australia and would otherwise make a capital gain from the disposal of their Capitol Shares should be eligible to choose rollover relief, provided certain conditions are satisfied. The availability of rollover relief, which is addressed in further detail in Section 12 of this Scheme Booklet, is subject to confirmation by way of a Class Ruling from the ATO.	Section 12
24. When can I trade my New IDX Shares?	It is expected that you will be able to trade your New IDX Shares on a normal settlement basis from the Business Day following the Implementation Date. It is the responsibility of Capitol Shareholders to determine their entitlements prior to trading in any IDX Shares (including during any deferred settlement trading period) to avoid the risk of selling IDX Shares they do not own. Capitol Shareholders selling IDX Shares before they receive confirmation of their entitlement do so at their own risk.	Sections 1 and 7.7
25. Who is an Ineligible Foreign shareholder?	Ineligible Foreign Shareholders are Capitol Shareholders whose address shown in the Capitol Share Register at the Scheme Record Date is in a place outside Australia and its external territories or New Zealand unless IDX determines that it is lawful and not unduly onerous or impractical to issue that Capitol Shareholder with New IDX Shares when the Scheme becomes Effective.	Section 7.5

QUESTION	ANSWER	SECTION REFERENCES
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The Scheme Consideration

<p>26. Who is an Unmarketable Parcel Shareholder?</p>	<p>Unmarketable Parcel Shareholders are Capitol Shareholders who, based on their holding of Scheme Shares would, on implementation of the Scheme, be entitled to receive less than a 'marketable parcel' (which, as at the date of this Scheme Booklet, means \$500 worth of New IDX Shares (assessed by reference to the price of IDX Shares on ASX at the close of trade on the trading day prior to the Scheme Record Date)) as Scheme Consideration.</p>	<p>Section 7.5</p>
<p>27. What will Ineligible Shareholders receive under the Scheme?</p>	<p>If you are an Ineligible Shareholder, you will not receive New IDX Shares, however your Capitol Shares will still be part of the Scheme.</p> <p>If a Sale Agent is appointed (as described in Section 7.5), the number of New IDX Shares that would have been issued to you under the Scheme will instead be issued to the Sale Agent, who will sell those New IDX Shares and remit the Net Proceeds to IDX. Promptly after the last sale of New IDX Shares by the Sale Agent, IDX will remit to you your pro rata share of the Net Proceeds.</p> <p>If a Sale Agent is not appointed and if you are an Unmarketable Parcel Shareholder, you will receive a cash amount equal to the 'market value' (being the volume weighted average price of IDX Shares traded on ASX during the 5 trading days before the Implementation Date) of the New IDX Shares that would have otherwise been issued to you (unless you validly elect to receive the relevant New IDX Shares to be issued as Scheme Consideration by completing (and returning before the Effective Date) an election form available from the Capitol Registry).</p>	<p>Sections 7.5</p>

QUESTION	ANSWER	SECTION REFERENCES
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The Scheme Meeting and voting considerations

<p>28. When and where will the Scheme Meeting be held?</p>	<p>The Scheme Meeting will be held at 11.00 am on Thursday 31 October 2024 at the offices of Maddocks, Level 25, Tower 2, 727 Collins Street, Melbourne Victoria.</p>	<p>Section 1 and Annexure 5</p>
<p>29. Am I entitled to vote?</p>	<p>You will be entitled to vote at the Scheme Meeting if you are registered as a Capitol Shareholder on the Capitol Share Register at 7.00pm on Tuesday, 29 October 2024.</p> <p>Section 6 sets out further details on voting eligibility.</p>	<p>Section 6</p>
<p>30. What am I being asked to vote on at the Scheme Meeting?</p>	<p>You are being asked to vote on whether or not to approve the Scheme by voting on the Scheme Resolution at the Scheme Meeting.</p> <p>The text of the Scheme Resolution is set out in the Notice of Scheme Meeting at Annexure 5.</p>	<p>Section 2 and Annexure 5</p>
<p>31. How do I vote?</p>	<p>To vote in person at the Scheme Meeting, Capitol Shareholders must physically attend the Scheme Meeting. Alternatively, Capitol Shareholders can vote on the Scheme Resolution by appointing a proxy, attorney, or corporate representative (in the case of corporate Capitol Shareholders) by submitting the relevant form to the Capitol Registry by no later than 11.00am on Tuesday 29 October 2024.</p> <p>Section 6 contains further details on how to vote.</p>	<p>Section 6 and Annexure 5</p>

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5. FREQUENTLY ASKED QUESTIONS CONTINUED

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QUESTION	ANSWER	SECTION REFERENCES
The Scheme Meeting and voting considerations		
<p>32. Is voting compulsory?</p>	<p>No, voting is not compulsory. However, the Capitol Directors believe that the Scheme is important for all Capitol Shareholders and the Capitol Directors unanimously recommend that Capitol Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders.¹⁰</p> <p>The reasons for the Capitol Directors’ unanimous recommendation and other matters that you may wish to consider are outlined in Section 4 and 13.2.</p>	<p>Section 4</p>
<p>33. What voting majority is required to approve the Scheme?</p>	<p>The Scheme needs to be approved at the Scheme Meeting by the Requisite Majorities, which are:</p> <ul style="list-style-type: none"> (a) at least 75% of the total number of votes cast on the Scheme Resolution by Capitol Shareholders present and voting (in person, or by proxy, corporate representative or attorney) at the Scheme Meeting; and (b) a majority in number (more than 50%) of Capitol Shareholders present and voting (in person or by proxy, corporate representative or attorney). <p>The Court has the discretion to waive the second of these two requirements if it considers it appropriate to do so. Voting at the Scheme Meeting will be by poll.</p> <p>For the Scheme to become Effective, it must also be approved by the Court.</p>	<p>Section 6.2</p>
<p>34. Am I obliged to follow the recommendation of the Capitol Directors or the conclusion of the Independent Expert?</p>	<p>No.</p> <p>While the Capitol Directors and Independent Expert consider that the Scheme is in the best interests of Capitol Shareholders in the absence of a Superior Proposal (and in the case of the Capitol Directors subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders), Capitol Shareholders are not obliged to follow the recommendation of the Capitol Directors or the conclusions of the Independent Expert.</p>	<p>Section 13.2</p>
<p>35. Why should I vote in favour of the Scheme?</p>	<p>Section 4.1 sets out some of the reasons why the Capitol Directors consider that you should vote in favour of the Scheme.</p>	<p>Section 4.1</p>
<p>36. Why might I consider voting against the Scheme?</p>	<p>Section 4.2 sets out some of the reasons which may lead you to consider voting against the Scheme.</p>	<p>Section 4.2</p>
<p>37. What can I do if I oppose the Scheme?</p>	<p>If you, as a Capitol Shareholder, oppose the Scheme, you may:</p> <ul style="list-style-type: none"> (a) vote against the Scheme Resolution at the Scheme; and/or (b) if Capitol Shareholders pass the Scheme Resolution at the Scheme Meeting and you wish to appear and be heard at the hearing on the Second Court Date, you must file a notice of appearance in the prescribed Court form, together with any affidavit on which you wish to rely at the Second Court Hearing. You should seek professional advice as to how to do this. 	<p>Important Notices and Section 7</p>

10. Capitol Shareholders should note the interests of Capitol Directors when considering this recommendation. Details of those interests are set out in Section 13.2. Capitol’s Managing Director and Chief Executive Officer Mr Justin Walter, will receive 1,244,382 New IDX Shares in relation to his Performance Rights and Capitol Shares and a cash payment of approximately \$547,500 in relation to his STIs if the Scheme becomes Effective and is implemented. The Capitol Directors, including Mr Walter, consider that notwithstanding these arrangements it is appropriate for Mr Walter to make a recommendation on the Scheme given Mr Walter’s role in the operation and management of Capitol and that Capitol Shareholders would wish to know Mr Walter’s views on the Scheme.

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QUESTION	ANSWER	SECTION REFERENCES
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The Scheme Meeting and voting considerations

38. When will the result of the Scheme Meeting be known?	The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced to ASX (https://www.asx.com.au/) once available.	Section 1
39. What are the potential outcomes for Capitol Shareholders in connection with the Scheme?	The potential outcomes for Capitol Shareholders in connection with the Scheme are: (a) the Scheme is implemented and all Capitol Shareholders holding Capitol Shares on the Scheme Record Date (other than Ineligible Shareholders) will receive the Scheme Consideration. Capitol will be acquired by IDX and be delisted from ASX; or (b) the Scheme is not implemented and Capitol Shareholders will not receive the Scheme Consideration and will retain their Capitol Shares.	Section 6
40. What are the risks if the Scheme is implemented?	Capitol Shareholders who receive New IDX Shares under the Scheme will be subject to a number of risks relating to the Scheme, the Merged Group and IDX. Further details on these risks are set out in Section 11.	Section 11

QUESTION	ANSWER	SECTION REFERENCES
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Steps after the Scheme Meeting

41. What happens after the Scheme Meeting?	If the Scheme is approved by the Requisite Majorities at the Scheme Meeting, Court approval of the Scheme will then need to be obtained. If the Scheme is not approved at the Scheme Meeting, it will likely not be implemented.	Sections 6.2 and 7.11
42. Are there conditions that need to be satisfied before the Scheme can proceed?	Yes. Implementation of the Scheme is subject to the satisfaction or waiver (where capable of waiver) of a number of Conditions. These Conditions include informal clearance from the ACCC. Each of these Conditions, which are summarised in Section 13.4.1 and set out in full in clause 3.1 of the MID remain outstanding as at the Last Practicable Date. In relation to the ACCC Condition, on 5 September 2024, the ACCC commenced a public informal review of the Scheme. See Section 13.4.1 for further details. As at the date of this Scheme Booklet, the Capitol Directors are not aware of any reason why any Condition will not be satisfied or waived (if capable of waiver).	Section 13.4.1
43. When will the Scheme become Effective?	If the Scheme is approved by the Requisite Majorities at the Scheme Meeting and the other Conditions are satisfied or waived (where capable of waiver), Capitol will apply to the Court for approval of the Scheme. If Court approval is granted the Scheme will become Effective on the date on which the Court order approving the Scheme is lodged with ASIC (being the Effective Date). This is expected to occur on Monday, 4 November 2024.	Section 1

5. FREQUENTLY ASKED QUESTIONS CONTINUED

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QUESTION	ANSWER	SECTION REFERENCES
Steps after the Scheme Meeting		
<p>44. What happens if the Scheme is not approved?</p>	<p>If the Scheme is not approved by Capitol Shareholders or by the Court (or otherwise does not proceed):</p> <ul style="list-style-type: none"> (a) IDX will not acquire the Scheme Shares; (b) Capitol Shareholders will not receive the Scheme Consideration; (c) the Capitol Directors will continue to operate Capitol's business; (d) Capitol will continue to be listed on ASX; and (e) Capitol Shareholders will retain their Capitol Shares and continue to share in any benefits and risks of Capitol's ongoing business. <p>If the Scheme is not approved by Capitol Shareholders or by the Court (or otherwise does not proceed), and no Superior Proposal emerges, Capitol Shareholders will continue to be exposed to the general market risks and the risk factors relating to the business and operations of Capitol set out in Section 11.</p>	<p>Sections 7.13 and 11.5</p>
<p>45. What happens if the Conditions are not satisfied or the MID is terminated?</p>	<p>If each Condition is not satisfied or waived (where capable of waiver) or the MID is otherwise terminated, the Scheme will not proceed.</p> <p>The MID can be terminated by Capitol or IDX (as applicable) in limited circumstances which are customary for a transaction of this nature. The circumstances in which Capitol or IDX (as applicable) can terminate the Scheme are summarised in Section 13.4.7 of this Scheme Booklet and are set out in full in clause 15 of the MID.</p> <p>Depending on the reasons for the MID being terminated, Capitol may be liable to pay the Break Fee to IDX or IDX may be liable to pay the Reverse Break Fee to Capitol. The failure by Capitol Shareholders to approve the Scheme will not trigger the payment of the Break Fee by Capitol.</p>	<p>Sections 13.4.1 and 13.4.7</p>
<p>46. Do Capitol Shareholders need to do anything if the Scheme becomes Effective?</p>	<p>If the Scheme becomes Effective, no further action is required on the part of Capitol Shareholders in order to implement the Scheme. Under the Scheme, Capitol is given authority to effect a valid transfer of all Scheme Shares to IDX and to enter the name of IDX in the Capitol Share Register as holder of all the Scheme Shares and Scheme Shareholders (other than Ineligible Shareholders) will receive the Scheme Consideration.</p> <p>Only Capitol Shareholders whose names appear on the Capitol Share Register on the Scheme Record Date will be entitled to receive the Scheme Consideration.</p>	<p>Sections 6 and 7.3</p>
<p>47. What will Capitol Shareholders receive if the Scheme becomes Effective?</p>	<p>If the Scheme is approved and implemented, Capitol Shareholders (other than Ineligible Shareholders) will receive the Scheme Consideration.</p> <p>See FAQ 15 to 17 and 25 to 27 in relation to the Scheme Consideration and Ineligible Shareholders.</p>	<p>Section 7.2</p>
<p>48. Will I be paid the Final Dividend?</p>	<p>The Final Dividend will be paid to eligible Capitol Shareholders in respect of the Capitol Shares they hold on the record date for the Final Dividend as announced to ASX (being 23 September 2024).</p> <p>The Final Dividend will be paid whether or not the Scheme becomes Effective and is implemented.</p>	<p>Letter from the Chairman of Capitol</p>

QUESTION

ANSWER

SECTION
REFERENCES

Steps after the Scheme Meeting

<p>49. When is the Exclusivity Period and what exclusivity arrangements are in place?</p>	<p>The MID includes exclusivity arrangements which apply from the date of the MID until the earlier of:</p> <ul style="list-style-type: none"> (a) the date that the MID is terminated; (b) the End Date, being 18 April 2025; and (c) the Effective Date, being the date on which the Scheme becomes Effective, (the Exclusivity Period). <p>During the Exclusivity Period, Capitol may generally not solicit, discuss or provide any due diligence materials to third parties with respect to Competing Proposals for Capitol or its business (subject to a fiduciary exemption).</p>	Section 13.4.4
<p>50. What are the prospects of receiving a Superior Proposal?</p>	<p>Since the announcement of the Process Deed on 17 June 2024, neither the Capitol Board nor any of Capitol's Advisers have received any Competing Proposal or Superior Proposal from a third party and there are no third party discussions underway with Capitol (or its Advisers) in relation to any Competing Proposal or Superior Proposal.</p> <p>Capitol Shareholders should note that Capitol has agreed to certain exclusivity and Break Fee provisions in favour of IDX under the MID which may reduce the likelihood of a Competing Proposal or Superior Proposal emerging.</p>	Sections 4.1.8 and 13.4
<p>51. What is the Break Fee and in what circumstances is it payable to IDX?</p>	<p>Capitol has agreed to pay IDX a Break Fee of \$3.5 million (excluding GST) if certain events occur.</p> <p>The payment of the Break Fee by Capitol will not be payable simply by reason that Capitol Shareholders do not approve the Scheme.</p> <p>The circumstances in which the Break Fee is payable by Capitol is summarised in Section 13.4.5.</p>	Section 13.4.5
<p>52. What is the Reverse Break Fee and in what circumstances is it payable to Capitol?</p>	<p>IDX has agreed to pay Capitol a Reverse Break Fee of \$3.5 million (excluding GST) if certain events occur.</p> <p>The circumstances in which the Reverse Break Fee is payable by IDX is summarised in Section 13.4.6.</p>	Section 13.4.6

5. FREQUENTLY ASKED QUESTIONS CONTINUED

QUESTION	ANSWER	SECTION REFERENCES
The Merged Group		
53. What is the Merged Group?	<p>The Merged Group will comprise of 151 clinics supported by approximately 350 radiologists (including contractors) and approximately 3,000 employees.</p> <p>The Merged Group is expected to be a market leader in diagnostic imaging services in Australia and New Zealand, with pro forma historical revenue of \$705 million, Operating EBITDA of \$141 million and Operating EBITDA after cash lease payments of \$106 million¹¹ for FY24. This does not include at least \$10 million of anticipated annual pre-tax net cost synergies.¹²</p> <p>Alongside financial benefits, significant strategic benefits are also expected, including a significantly enhanced operating and financial scale than each standalone business, an enhanced deep clinical expertise across a wider network, and a strong position to support future growth initiatives.</p>	Section 10
54. What are IDX's intentions in relation to the Merged Group if the Scheme proceeds?	<p>If the Scheme is implemented, IDX intends to delist Capitol from ASX.</p> <p>IDX will undertake a review of the Merged Group's operations covering strategic, financial, risk and commercial operating matters to determine and implement improvements to integrate these functions, deliver synergies and explore new potential growth opportunities.</p> <p>IDX intends for the Merged Group to deliver best-in-class clinical services and capability to achieve optimal health outcomes for patients, radiologists, technicians and referrers.</p>	Sections 10.3 and 10.4
55. Who will the directors of the Merged Group be?	<p>If the Scheme is implemented, Ms Laura McBain and Dr Kevin Shaw will be invited to join the IDX Board as Non-Executive Directors.</p> <p>After implementation of the Scheme, it is intended that the IDX Board will comprise up to six Non-Executive Directors (including Ms McBain and Dr Shaw that will join the IDX Board with effect on the Implementation Date), up to two Executive Radiologist Directors, and the Chief Executive Officer and Managing Director.</p>	Section 10.4.2
56. Who will the key management personnel of the Merged Group be?	<p>The Chair of the Merged Group's board will be the current Chair of IDX, Mr Toby Hall.</p> <p>The Chief Executive Officer and Managing Director of the Merged Group will be the current IDX Chief Executive Officer and Managing Director, Dr Ian Kadish. Section 9.2.1 contains further details of the qualifications and background of Dr. Kadish.</p> <p>The current Chief Executive Officer and Managing Director of Capitol, Mr Justin Walter, will assume the transitional role of Chief Integration Officer, which will be responsible for driving the successful integration of the two businesses. Section 8.2.1 contains further details of the background of Mr Walter. Other members of the Merged Group's senior management team will be selected based on the principle that the best executive for the job will be offered the relevant role having regard to the skills, experience, knowledge, and expertise required to manage the Merged Group and its assets.</p>	Letter from the Chair of IDX, Sections 8.2.1, 9.2.1, and 10.4.2

11. Operating EBITDA after cash lease payments calculated as Merged Group pro forma Operating EBITDA less Capitol cash lease payments of \$14.6 million and IDX cash lease payments of \$20.5 million.

12. See Section 10.2 for further information in relation to the anticipated synergies.

QUESTION	ANSWER	SECTION REFERENCES
The Merged Group		
<p>57. What is the expected capital structure of the Merged Group?</p>	<p>As at the Last Practicable Date, there are 233,961,997 IDX Shares on issue.</p> <p>The total number of New IDX Shares that IDX will issue under the Scheme to Scheme Shareholders is 137,795,797, subject to rounding.¹³</p> <p>Accordingly, the number of IDX Shares on issue following on implementation of the Scheme will be approximately 371,757,794.</p> <p>On implementation of the Scheme, IDX Shareholders will own approximately 63% of the Merged Group and Capitol Shareholders will own approximately 37% (assuming there are no Ineligible Shareholders).</p>	<p>Section 10.5</p>
<p>58. Who will the substantial shareholders of the Merged Group be?</p>	<p>Yarra Capital Management Limited is expected to be the only substantial shareholder of the Merged Group, holding approximately 6.15% of total IDX Shares on issue on implementation of the Scheme.</p>	<p>Section 10.6</p>
<p>59. When will the New IDX Shares be issued and start trading on ASX?</p>	<p>It is anticipated that the New IDX Shares will commence trading on ASX on a normal basis on Friday, 15 November 2024.</p>	<p>Sections 7.7 and 10</p>

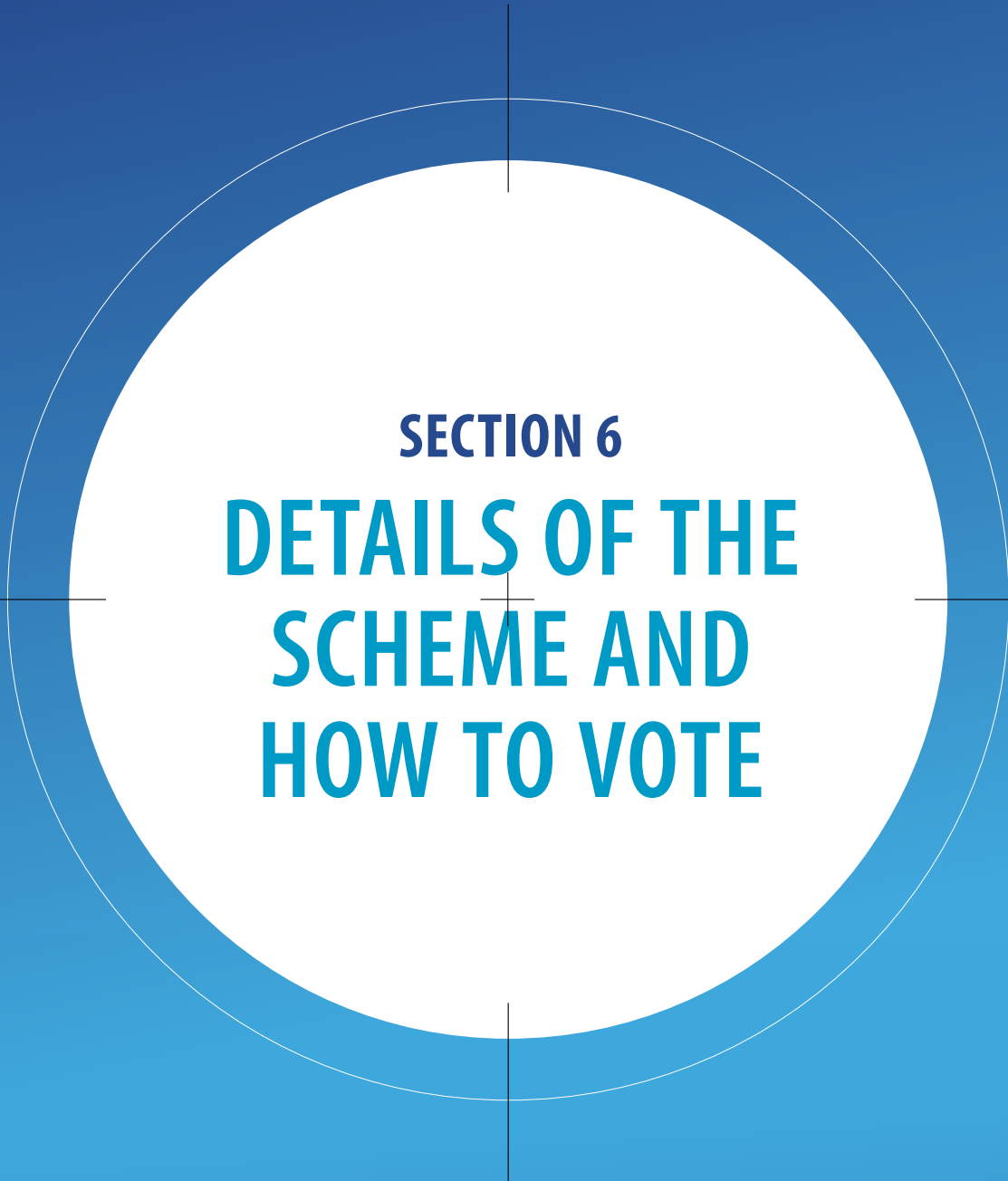
13. Assuming 1,072,424,287 Capitol Shares are on issue on the Scheme Record Date, comprising 1,066,047,498 Capitol Shares on issue as at the Last Practicable Date and 6,376,789 Capitol Shares that are expected to be issued following the exercise of Performance Rights as set out in Section 7.9. This excludes 156,250 Capitol Shares that may be issued before the Scheme Record Date in connection with a historical acquisition. It is also assumed that no Options will be exercised before the Scheme Record Date and that there are no Ineligible Shareholders.

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5. FREQUENTLY ASKED QUESTIONS CONTINUED

QUESTION	ANSWER	SECTION REFERENCES
Other		
60. Can I keep my Capitol Shares?	If the Scheme becomes Effective, all Scheme Shares will be transferred to IDX and you will not keep your Capitol Shares. This will happen even if you did not vote or if you voted against the Scheme at the Scheme Meeting. If the Scheme does not become Effective, you will continue to hold your Capitol Shares.	Sections 4.3 and 6.3
61. When will Capitol Shares cease trading on ASX?	Capitol intends to apply to ASX for Capitol Shares to be suspended from trading with effect from the close of trading on ASX on the Effective Date (currently expected to be Monday, 4 November 2024). Capitol Shareholders will not be able to sell their Capitol Shares on-market from this time.	Sections 1 and 7.12
62. Can I sell my Capitol Shares on the ASX before the Scheme becomes Effective?	<p>Capitol Shareholders can sell their Capitol Shares on ASX at any time before the trading in Capitol Shares is suspended by ASX or off-market before the Scheme Record Date.</p> <p>If a Capitol Shareholder sells their Capitol Shares on ASX prior to the Scheme Record Date:</p> <ul style="list-style-type: none"> (a) they will not receive the Scheme Consideration; (b) they may be required to pay brokerage on the sale of their Capitol Shares; and (c) there may be different tax consequences for the Capitol Shareholder compared with those consequences that would apply if they disposed of their Capitol Shares under the Scheme. <p>The Effective Date is currently expected to be Monday, 4 November 2024.</p>	Sections 1 and 6.3
63. What are the tax implications of the Scheme?	<p>Implementation of the Scheme may trigger taxation consequences for Capitol Shareholders.</p> <p>A general guide to the Australian taxation implications of the Scheme is set out in Section 12. This guide is expressed in general terms only and Capitol Shareholders should seek professional taxation advice with respect to their individual tax situation.</p>	Section 12
64. What if I have further questions about the Scheme?	If you have any questions in relation to the Scheme, or would like to get further information, you can call the Scheme Information Line on 1300 441 601 (within Australia) or +61 2 9698 7164 (outside Australia), Monday to Friday (excluding public holidays), between 8.30am and 7.00pm.	Letter from the Chairman of Capitol

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SECTION 6
**DETAILS OF THE
SCHEME AND
HOW TO VOTE**

6. DETAILS OF THE SCHEME AND HOW TO VOTE

6.1 Details of Scheme Meeting

The notice convening the Scheme Meeting is attached at Annexure 5 to this Scheme Booklet.

The Scheme Meeting will be held at 11.00am on Thursday, 31 October 2024 in person at Maddocks, Level 25, Tower 2, 727 Collins Street, Melbourne, Victoria.

6.2 Requisite Majorities

At the Scheme Meeting, the Scheme Resolution will be proposed to the Scheme Meeting, which must be approved by the Requisite Majorities being:

- 6.2.1 at least 75% of the total number of votes cast on the Scheme Resolution by Capitol Shareholders present and voting (in person, or by proxy, corporate representative or attorney); and
- 6.2.2 a majority in number (more than 50%) of Capitol Shareholders present and voting (in person, or by proxy, corporate representative or attorney) at the Scheme Meeting,

for the Scheme to become Effective.

The Court has the discretion to waive the second of these two requirements if it considers it appropriate to do so.

If the Scheme is not approved by the Requisite Majorities and approved by the Court, the Scheme will not proceed.

The Scheme Resolution is set out in the Notice of Scheme Meeting at Annexure 5.

6.3 Your choices as a Capitol Shareholder

As a Capitol Shareholder, you have the following choices:

- 6.3.1 you can vote for or against the Scheme at the Scheme Meeting in person, or by proxy, corporate representative (in the case of corporate shareholders) or attorney;
- 6.3.2 you can elect not to vote at the Scheme Meeting;
- 6.3.3 you can sell your Capitol Shares on market at any time before the close of trading on ASX on the Effective Date;
- 6.3.4 you can sell your Capitol Shares privately following the Effective Date provided that the transfer is lodged with the Capitol Registry by no later than 7.00pm on the Scheme Record Date; or
- 6.3.5 you can do nothing, in which case:
 - (a) if the Scheme becomes Effective and is implemented, your Scheme Shares will be transferred to IDX and you will receive the Scheme Consideration (unless you are an Ineligible Shareholder) for all of your Scheme Shares; or
 - (b) if the Scheme does not become Effective, it will not be implemented and you will continue to hold your Capitol Shares.

You should be aware that even if you do not attend the Scheme Meeting, or do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by Capitol Shareholders by the Requisite Majorities, is approved by the Court, and becomes unconditional. If this occurs, any Capitol Shares that you hold on the Scheme Record Date will be transferred to IDX and you will receive the Scheme Consideration for those Scheme Shares (unless you are an Ineligible Shareholder), even though you did not vote on, or voted against, the Scheme.

6.4 How to vote in person

To vote in person at the Scheme Meeting, Scheme Shareholders must physically attend the Scheme Meeting. A Scheme Shareholder will be admitted to the Scheme Meeting upon providing evidence of his or her name and address at the point of entry to the Scheme Meeting.

6.5 How to vote by proxy

All Proxy Forms, together with any power of attorney or authority under which the Proxy Form is signed, must be received by the Capitol Registry no later than 11.00am on Tuesday, 29 October 2024. Proxy votes received after this time will be invalid.

Your appointment of a proxy does not preclude you from personally attending and voting at the Scheme Meeting. The appointment of your proxy is not revoked merely by your attendance at, and participation in, the Scheme Meeting. However, if you vote on the Scheme Resolution, any vote made by your proxy on your behalf will not be counted.

Capitol Shareholders who have elected to receive the Notice of Scheme Meeting electronically will receive an email with a personalised link to a website which can be used to appoint a proxy online by following the instructions on that website.

You can vote by proxy by completing and lodging the Proxy Form with the Capitol Registry in any of the following ways:

Online	at www.investorvote.com.au and follow the prompts
Mobile device	If you have a smart phone or tablet, you can lodge your proxy appointment via www.investorvote.com.au or by scanning the QR code on the Proxy Form. To scan the QR code, you will need a QR code reader application which can be downloaded for free on your mobile device
Mail	Post the signed proxy form to Computershare Investor Services Pty Limited GPO Box 242, Melbourne VIC 3001 Australia
Fax	Fax the signed Proxy Form to: 1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)
Hand delivery	Deliver during business hours (Monday to Friday, 9.00am – 5.00pm) to the Capitol Registry at Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067

6.6 How to vote by corporate representative

A Capitol Shareholder or proxy, which is a body corporate, may appoint an individual to act as its representative to vote at the Scheme Meeting.

Persons who are attending the Scheme Meeting as a corporate representative for a corporation must provide evidence of their appointment. The appointment must comply with section 250D of the Corporations Act and must be lodged with the Capitol Registry before the Scheme Meeting. You should contact the Capitol Registry on 1300 805 505 (within Australia) or +61 3 9415 4000 (outside Australia), Monday to Friday (excluding public holidays), between 8.30am and 5.00pm to obtain the relevant form for appointment of a corporate representative and further details on how to lodge the authority to act as a corporate representative.

6.7 How to vote by attorney

Capitol Shareholders who wish to vote by attorney at the Scheme Meeting, must, if they have not already done so, provide a certified power of attorney to the Capitol Registry by no later than 11.00am on Tuesday, 29 October 2024 (being 48 hours before the Scheme Meeting).

6.8 Eligibility to vote

The time for determining eligibility to vote at the Scheme Meeting is currently expected to be 7.00pm on Tuesday, 29 October 2024. Only those Capitol Shareholders entered on the Capitol Share Register at that time will be entitled to attend and vote at the Scheme Meeting.

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6. DETAILS OF THE SCHEME AND HOW TO VOTE CONTINUED

6.9 How to ask questions

Capitol Shareholders who would like to ask questions at the Scheme Meeting are encouraged to do so in writing before the Scheme Meeting by emailing their questions to capitol.health@automicgroup.com.au.

Alternatively, Capitol Shareholders will have an opportunity to ask questions at the Scheme Meeting in person at the appropriate time during the meeting. It may not be possible to respond to all questions raised during the Scheme Meeting, therefore it is encouraged that Capitol Shareholders lodge questions prior to the Scheme Meeting.

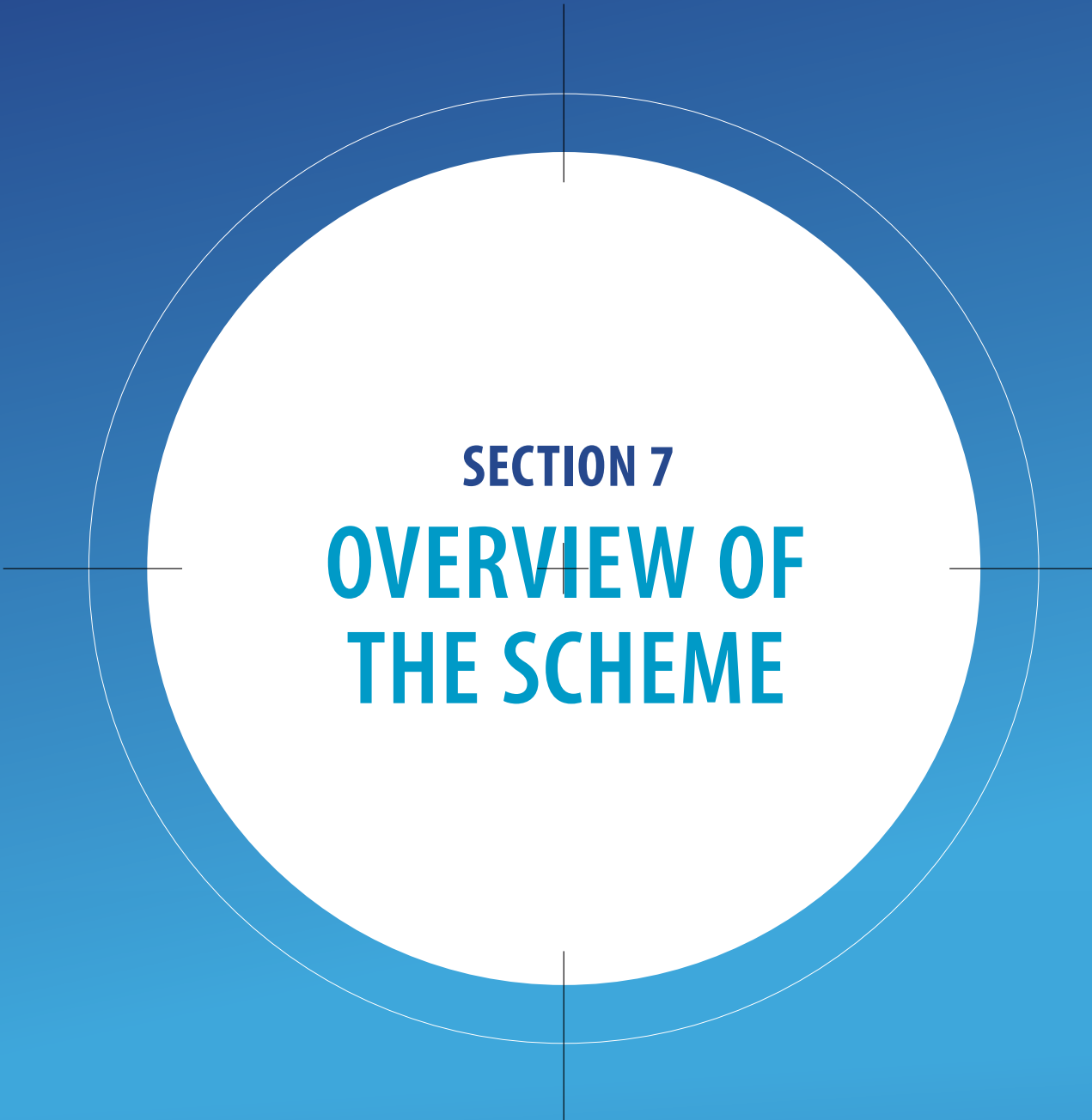
6.10 Alternative Arrangements

If it becomes necessary or appropriate to make alternative or supplementary arrangements to hold the Scheme Meeting, Capitol Shareholders will be given as much notice as possible. Any changes to the Scheme Meeting will be communicated by Capitol by an ASX announcement.

6.11 Further information

Please refer to the Notice of Scheme Meeting set out in Annexure 5 for further information on voting procedures and details of the Scheme Resolution to be voted on at the Scheme Meeting (including who is entitled to vote on the Scheme Resolution).

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SECTION 7
OVERVIEW OF
THE SCHEME

7. OVERVIEW OF THE SCHEME

7.1 Background

On 17 June 2024, Capitol announced that it had entered into the Process Deed with IDX following IDX submitting a conditional, non-binding indicative merger proposal.

On 18 July 2024, Capitol announced that it had entered into the MID with IDX, under which it is proposed that IDX will acquire all of the Capitol Shares on issue by way of a scheme of arrangement. The Scheme is subject to a number of Conditions including approval by the Requisite Majorities, Court approval, informal clearance from the ACCC, that no IDX Prescribed Occurrence or Capitol Prescribed Occurrence occurs, and other customary conditions. The MID contains terms and conditions that are standard for these types of agreements, including in relation to the parties' obligations to implement the Scheme and Capitol's obligation to conduct its business in the ordinary course during the Scheme process.

The key terms of the MID are summarised in Section 13.4. A full copy of the MID is attached to Capitol's ASX announcement on 18 July 2024, which can be obtained from ASX's website (<https://www.asx.com.au/>).

Having carefully considered IDX's proposal, the Capitol Directors unanimously recommend that Capitol Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of the Capitol Shareholders.¹⁴ Subject to the same qualifications, each of the Capitol Directors will vote all Capitol Shares that they hold or control in favour of the Scheme.

7.2 What will happen if the Scheme is implemented?

If the Scheme is approved by Capitol Shareholders by the Requisite Majorities, is approved by the Court and becomes unconditional, all Scheme Shareholders who hold Capitol Shares on the Scheme Record Date will participate in the Scheme even if they did not vote on, or voted against, the Scheme.

If the Scheme is implemented:

- 7.2.1 Capitol will apply to ASX for suspension of trading. The last date for trading Capitol Shares on the ASX will be the Effective Date;
- 7.2.2 on the Implementation Date:
 - (a) each Scheme Shareholder (other than Ineligible Shareholders) will receive the Scheme Consideration in exchange for each Scheme Share held by that Scheme Shareholder at the Scheme Record Date; and
 - (b) all Scheme Shares will be transferred to IDX (without any need for action by Scheme Shareholders);
- 7.2.3 Capitol will become a wholly owned Subsidiary of IDX; and
- 7.2.4 Capitol will be removed from the Official List of ASX.

A copy of the Scheme is contained in Annexure 3. In support of its obligations to provide the provision of the Scheme Consideration under the MID and in accordance with the Scheme, IDX has executed the Deed Poll in favour of Capitol Shareholders, a copy of which is attached at Annexure 4.

7.3 Scheme Consideration

If the Scheme is implemented, Scheme Shareholders (other than Ineligible Shareholders) will receive 0.12849 New IDX Shares for each Capitol Share they own as at the Scheme Record Date. On implementation of the Scheme, Capitol Shareholders will own approximately 37% of the Merged Group (assuming there are no Ineligible Shareholders).

All New IDX Shares issued to Scheme Shareholders as Scheme Consideration under the Scheme will rank equally in all respects with all existing IDX Shares on issue as at the Implementation Date. The rights and liabilities attached to the IDX Shares are described in Section 9.12.

IDX will be under no obligation to issue any IDX Shares to any Ineligible Foreign Shareholder and will instead issue the IDX Shares that would otherwise have been issued to an Ineligible Foreign Shareholder to the Sale Agent, as described in Section 7.5.

Section 7.5 sets out details of the treatment of Ineligible Foreign Shareholders, Unmarketable Parcel Shareholders and other ineligible shareholders.

14. Capitol Shareholders should note the interests of Capitol Directors when considering this recommendation. Details of those interests are set out in Section 13.2. Capitol's Managing Director and Chief Executive Officer, Mr Justin Walter, will receive 1,244,382 New IDX Shares in relation to his Performance Rights and Capitol Shares and a cash payment of approximately \$547,500 in relation to his STIs if the Scheme becomes Effective and is implemented. The Capitol Directors, including Mr Walter, consider that notwithstanding these arrangements it is appropriate for Mr Walter to make a recommendation on the Scheme given Mr Walter's role in the operation and management of Capitol and that Capitol Shareholders would wish to know Mr Walter's views on the Scheme.

7.3.1 Basis for Scheme Consideration

The Scheme Consideration ratio of 0.12849 was agreed by Capitol and IDX having regard to a number of factors, including:

- (a) the 1-month and 3-month VWAPs of Capitol Shares and IDX Shares;
- (b) the implied takeover premium when considered by reference to similar historical transactions; and
- (c) the anticipated mutual benefits to both Capitol Shareholders and IDX Shareholders in the Merged Group.

Prior to entering into the Process Deed and MID, Capitol periodically reviewed the relative prices of Capitol Shares and IDX Shares to consider whether the proposed Scheme Consideration was appropriate.

The implied value for the Scheme Consideration may increase or decrease prior to the Implementation Date based on movements of the IDX Share price.

Irrespective of any movements in the IDX Share price, Capitol Shareholders will receive the Scheme Consideration, being 0.12849 New IDX Shares for every Scheme Share held on the Scheme Record Date.

7.3.2 Entitlement to Scheme Consideration

The Scheme Record Date is currently anticipated to be 7.00pm on Thursday, 7 November 2024. Only Capitol Shareholders whose names appear on the Capitol Share Register on the Scheme Record Date will be entitled to receive the Scheme Consideration (other than Ineligible Shareholders).

7.3.3 Establishing entitlements to Scheme Consideration

For the purpose of establishing the persons who are entitled to participate in the Scheme, dealings in Capitol Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Capitol Share Register as a holder of the relevant Capitol Shares by the Scheme Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the place where the Capitol Share Register is kept by 7.00pm on the Scheme Record Date.

Capitol will not accept registration or recognise for any purpose any transmission application or transfer in respect of Capitol Shares received after such times, or received prior to those times but not in registrable form.

For the purposes of determining entitlements to Scheme Consideration, Capitol will, until the Scheme Consideration has been paid to Scheme Shareholders, maintain the Capitol Share Register in accordance with the terms of the Scheme, and the Capitol Share Register in this form will solely determine entitlements to the Scheme Consideration. As from the Scheme Record Date (other than for IDX after the Implementation Date), each entry current at that time in the Capitol Share Register in relation to the Scheme Shares will cease to be of any effect other than as evidence of entitlement of Scheme Shareholders to the Scheme Consideration in accordance with the Scheme in respect of the Scheme Shares.

7.4 Issue of New IDX Shares

Capitol Shareholders who are recorded in the Capitol Share Register on the Scheme Record Date and who are not Ineligible Shareholders are eligible to receive the Scheme Consideration in the form of 0.12849 New IDX Shares for each Capitol Share they own.

IDX will issue New IDX Shares to Scheme Shareholders on the Implementation Date.

7.4.1 Joint holders

In the case of any Scheme Shares held in joint names, the New IDX Shares to be issued by IDX will be issued to and registered in the IDX Share Register in the names of the joint holders. Any document required to be sent under the Scheme to the joint holders will be sent to either the holder whose name appears first in the Capitol Share Register as at the Scheme Record Date or to the joint holders.

7.4.2 Fractional entitlements

Where the calculation of the Scheme Consideration to which a Scheme Shareholder is entitled would result in that shareholder being entitled to a fraction of a New IDX Share, the fractional entitlement will be rounded down to the nearest whole number of New IDX Shares (but such rounding will not create an entitlement to less than one New IDX Share).

7. OVERVIEW OF THE SCHEME CONTINUED

7.5 Ineligible Shareholders

7.5.1 Ineligible Foreign Shareholders

A Scheme Shareholder will be an Ineligible Foreign Shareholder where their address shown in the Capitol Share Register as at the Scheme Record Date is a place outside Australia and its external territories or New Zealand unless IDX determines that it is lawful and not unduly onerous or impracticable to provide the Scheme Shareholder with New IDX Shares.

IDX is under no obligation to issue any New IDX Shares to any Ineligible Foreign Shareholder and will instead, on or before the Implementation Date, issue the New IDX Shares that would otherwise have been issued to an Ineligible Foreign Shareholder to the Sale Agent directly, who will then, as soon as reasonably practicable after the Implementation Date, sell or procure the sale of such New IDX Shares and remit the Net Proceeds for the IDX Shares to IDX.

After receiving the Net Proceeds in respect of the sale of all of the New IDX Shares from the Sale Agent, IDX will then pay, or procure the payment, to each Ineligible Foreign Shareholder the amount calculated in accordance with the following formula and rounded down to the nearest cent:

$$(B \div C) \times D$$

Where:

- (a) B is the number of New IDX Shares that would otherwise have been issued to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which were issued to the Sale Agent;
- (b) C is the total number of New IDX Shares which would otherwise have been issued to all Ineligible Foreign Shareholders and which were issued to the Sale Agent; and
- (c) D is the Net Proceeds.

The relevant proceeds to which an Ineligible Foreign Shareholder is entitled will be paid to them by:

- (a) direct credit to the nominated bank account of the Ineligible Foreign Shareholder as noted on the Capitol Share Register on the Scheme Record Date;
- (b) paying the relevant amount by electronic means to a bank account nominated by the Ineligible Foreign Shareholder by an appropriate authority to IDX; or
- (c) dispatching a cheque for the relevant amount by mail to the Ineligible Foreign Shareholder's registered address as at the Scheme Record Date.

As the market price of IDX Shares will be subject to fluctuation and change from time to time, the sale price of the New IDX Shares sold through the Sale Agent and the proceeds of that cannot be guaranteed. None of IDX, Capitol or the Sale Agent give any assurance as to the price that will be achieved for the sale of the New IDX Shares.

7.5.2 Unmarketable Parcel Shareholders

A Scheme Shareholder who, based on their holding of Scheme Shares, would, on implementation of the Scheme, be entitled to receive less than a 'marketable parcel' (which, as at the date of this Scheme Booklet, means \$500 worth of New IDX Shares (assessed by reference to the price of IDX Shares on ASX at the close of trade on the trading day prior to the Scheme Record Date)) is an Unmarketable Parcel Shareholder.

If there are Ineligible Foreign Shareholders and IDX appoints a Sale Agent under the process outlined in Section 7.5.1, any New IDX Shares to which each Unmarketable Parcel Shareholder would have otherwise been entitled will instead be issued to the Sale Agent and dealt with in accordance with Section 7.5.1, as if that person were an Ineligible Foreign Shareholder.

If IDX determines that there are no Ineligible Foreign Shareholders and, as a consequence, no Sale Agent is appointed as outlined in Section 7.5.1, then, on the Implementation Date, Capitol will pay to each Unmarketable Parcel Shareholder (subject to IDX providing Capitol with the relevant funds) such amount of cash as is due to that shareholder as consideration equal to the 'market value' (being the volume weighted average price of IDX Shares traded on ASX during the 5 trading days before the Implementation Date) of the New IDX Shares that would have otherwise been issued to that Unmarketable Parcel Shareholder as Scheme Consideration.

As the market price of IDX Shares will be subject to fluctuation and change from time to time, the 'market value' of IDX Shares for this purpose cannot be guaranteed. Neither IDX nor Capitol give any assurance as to the price at which IDX Shares trade during the period in which the 'market value' is calculated.

Alternatively, an Unmarketable Parcel Shareholder who is not an Ineligible Foreign Shareholder may elect to receive the Scheme Consideration by validly completing and returning before the Effective Date an election form available on request from the Capitol Registry (in which case the Unmarketable Parcel Shareholder will not be considered an Ineligible Shareholder).

7.5.3 Other ineligible shareholders

Where the issue of New IDX Shares to which a Scheme Shareholder would otherwise be entitled under the Scheme would result in a breach of law:

- (a) IDX will issue the maximum possible number of New IDX Shares to the Scheme Shareholder without giving rise to such a breach; and
- (b) any further New IDX Shares to which that Scheme Shareholder is entitled, but the issue of which to the Scheme Shareholder would give rise to such a breach, will instead be issued to the Sale Agent and dealt with in accordance with Section 7.5.1, as if that person were an Ineligible Foreign Shareholder.

7.6 Dealing with your New IDX Shares

If the Scheme is implemented, all of the Capitol Shares held by Capitol Shareholders as at the Scheme Record Date will be transferred to IDX on the Implementation Date and in exchange, each Scheme Shareholder (other than Ineligible Shareholders) will be issued with New IDX Shares. If you wish to sell the New IDX Shares issued to you, you may do so on ASX, once trading in those New IDX Shares commences.

It is the responsibility of Capitol Shareholders to determine their entitlements prior to trading in any IDX Shares (including during any deferred settlement trading period) to avoid the risk of selling IDX Shares they do not own. Capitol Shareholders selling IDX Shares before they receive confirmation of their entitlement do so at their own risk.

7.7 Commencement of trading of New IDX Shares on ASX

Trading in New IDX Shares issued under the Scheme on ASX is expected to commence on a deferred settlement basis on Tuesday, 5 November 2024.

Trading in New IDX Shares issued under the Scheme on ASX is expected to commence on a normal settlement basis on the first Business Day after the Implementation Date, or such other date and time agreed between IDX and Capitol. The Implementation Date is currently expected to be Thursday, 14 November 2024. Any change to these dates will be announced to ASX.

7.8 Despatch of holding statements (or other evidence of ownership) in respect of New IDX Shares

IDX will procure the provision of evidence of ownership of the Scheme Consideration to the Scheme Shareholders (other than Ineligible Shareholders) by procuring that:

- 7.8.1 the name and address of each such Scheme Shareholder is entered into the IDX Share Register on or before the Implementation Date in respect of the New IDX Shares to which it is entitled to; and
- 7.8.2 within 10 Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the registered address of each such Scheme Shareholder representing the number of New IDX Shares issued to the Scheme Shareholder pursuant to this Scheme.

7. OVERVIEW OF THE SCHEME CONTINUED

7.9 Treatment of Capitol Equity Incentives

It is a Condition to the Scheme becoming Effective that Capitol has taken all necessary steps to ensure that all Capitol Equity Incentives will either vest and be exercised, or lapse prior to the Scheme Record Date in accordance with the terms of the MID.

7.9.1 Capitol Plan Rules

The Capitol Plan Rules provide the Capitol Board with the discretion to issue Options and Performance Rights to employees on the terms, and subject to the vesting conditions, set out in the Capitol Plan Rules and the specific letter of offer to the relevant employee. The key terms of the Capitol Plan Rules were summarised in the notice of meeting for Capitol's annual general meeting held on 16 November 2021, released to ASX on 15 October 2021. Each Performance Right and Option entitles the holder to receive one new Capitol Share, subject to satisfaction of the relevant vesting conditions.

Under the Capitol Plan Rules the Capitol Board has a discretion as to the treatment of unvested Performance Rights and Options on the occurrence of a 'Trigger Event'. The orders of the Court at the First Court Hearing for Capitol to convene the Scheme Meeting constitute a 'Trigger Event' under the Capitol Plan Rules.

7.9.2 Performance Rights

At the Last Practicable Date, Capitol had 6,376,789 Performance Rights on issue, all of which were unvested. As set out at Section 13.2, Mr Justin Walter holds 5,012,530 unvested Performance Rights. The balance of the unvested Performance Rights are held by other senior executives of Capitol (**PR Senior Executives**).

In accordance with the terms of the Capitol Plan Rules, the Capitol Board has determined to exercise its discretion to vest all unvested Performance Rights (other than those held by Mr Walter) subject to and with effect from the Effective Date.

In exercising the discretion under the Capitol Plan Rules, the Capitol Board considered:

- (a) the significant efforts of the PR Senior Executives over a number of years, that has ultimately resulted in the substantial turnaround and growth of Capitol and creation of value to Capitol Shareholders;
- (b) the additional time and effort required from the PR Senior Executives in relation to the Scheme; and
- (c) the need to retain employees during the Scheme process, given the uncertainties created for senior management as a result of the Scheme.

Mr Walter's unvested Performance Rights (that are subject to FY25 and FY26 vesting conditions) will automatically vest and become immediately exercisable on a 'Change of Control' in accordance with his employment agreement. The Scheme becoming Effective constitutes a 'Change of Control' for the purposes of the Capitol Plan Rules. Accordingly, Mr Walter's Performance Rights will automatically vest on the Effective Date.

Following vesting and exercise of the Performance Rights, the holders will be issued with Capitol Shares on a one-for-one basis and will, if they retain their Capitol Shares as at the Scheme Record Date, receive the Scheme Consideration in exchange for their Capitol Shares.

7.9.3 Options

At the Last Practicable Date, Capitol had 4,905,000 Options on issue. Of these Options 3,477,500 have vested (**Vested Options**) and the balance remain unvested (**Unvested Options**).

Under the Capitol Plan Rules, on the occurrence of a 'Change of Control', the Capitol Board has the discretion to determine the date on which any Vested Options which have not been exercised will lapse. As set out above, the Scheme becoming Effective constitutes a 'Change of Control' under the Capitol Plan Rules. The Capitol Board has determined that all Vested Options which have not been exercised by 7.00pm on the Business Day after the Effective Date will automatically lapse.

Further, in accordance with the terms of the Capitol Plan Rules, the Capitol Board has determined to exercise its discretion such that all Unvested Options as at the Effective Date will lapse.

If the Scheme does not become Effective, Capitol expects that the Capitol Equity Incentive arrangements will remain in place subject to their existing terms and conditions.

7.10 Key steps to implement the Scheme

First court hearing	On Tuesday, 24 September 2024 the Court ordered that Capitol convene the Scheme Meeting for the purposes of the Capitol Shareholders considering the Scheme.
Scheme Meeting	<p>Capitol Shareholders will have an opportunity to vote to approve the Scheme at the Scheme Meeting. The Scheme Meeting is currently expected to be held at 11.00am on Thursday, 31 October 2024.</p> <p>The Scheme needs to be approved by the Requisite Majorities at the Scheme Meeting, which is:</p> <ul style="list-style-type: none"> (a) at least 75% of the total number of votes cast on the Scheme Resolution by Capitol Shareholders present and voting (in person, or by proxy, corporate representative or attorney); and (b) a majority in number (more than 50%) of Capitol Shareholders present and voting (in person, or by proxy, corporate representative or attorney) at the Scheme Meeting. <p>The Court has the discretion to waive the second of these two requirements if it considers it appropriate to do so.</p>
Conditions	<p>As set out in Section 13.4.1, there are several Conditions which must be satisfied (or waived, although some are not able to be waived) before the Scheme can become Effective. These include approval by the Requisite Majorities (at the Scheme Meeting), Court approval (at the Second Court Hearing), informal clearance from the ACCC, that no IDX Prescribed Occurrence or Capitol Prescribed Occurrence occurs, and other customary conditions.</p> <p>On 5 September 2024, the ACCC commenced a public informal review of the Scheme. See Section 13.4.1 for further details.</p>
Second court approval (at the Second Court Hearing)	<p>If the Scheme is approved by Capitol Shareholders by the Requisite Majorities at the Scheme Meeting and the Conditions (other than Court approval) have been satisfied or waived (to the extent able to be waived) Capitol will apply to the Court (on the Second Court Date) for an order approving the Scheme. The Second Court Date is currently expected to be Friday 1 November 2024, although this may be delayed if there is any delay in satisfying the Conditions.</p> <p>Any Capitol Shareholder wishing to oppose approval of the Scheme, may do so by filing with the Court and serving on Capitol a notice of appearance, in the prescribed Court form, together with any affidavit on which they wish to rely on at the Second Court Hearing. The notice of appearance and affidavit must be served on Capitol at its address for service at least one day before the Second Court Date.</p> <p>The address for service for Capitol is: Level 2, 288 Victoria Parade, East Melbourne VIC 3002 attention Company Secretary or by email to cosec@capitolhealth.com.au.</p> <p>The Court has discretion as to whether to grant orders approving the Scheme (even if it is approved by Capitol Shareholders by the Requisite Majorities at the Scheme Meeting).</p> <p>If the Court approves the Scheme, Capitol will take the necessary steps required for the Scheme to be implemented including lodging a copy of the Court order approving the Scheme with ASIC. The Scheme will become Effective upon lodgement of the Court order with ASIC, being the Effective Date, and this will be the last day for trading of Capitol Shares on ASX.</p>

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7. OVERVIEW OF THE SCHEME CONTINUED

Scheme Record Date	<p>Those Capitol Shareholders who are recorded on the Capitol Share Register on the Scheme Record Date, being 7.00pm on the second Business Day following the Effective Date, and are not Ineligible Shareholders will be entitled to receive the Scheme Consideration in respect of the Scheme Shares they hold as at that time (as recorded on the Capitol Share Register).</p> <p>Dealings in Scheme Shares prior to the Scheme Record Date will only be recognised if:</p> <ul style="list-style-type: none"> • in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Capitol Share Register as the holder of the Scheme Shares by the Scheme Record Date; and • in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the place where the Capitol Share Register is kept by 7.00pm on the Scheme Record Date.
Implementation	<p>If the Scheme becomes Effective, the Scheme will be implemented on the Implementation Date (expected to be 5 Business Days after the Scheme Record Date). On the Implementation Date, IDX will acquire all the Scheme Shares from Scheme Shareholders and Scheme Shareholders (other than Ineligible Shareholders) will receive the Scheme Consideration.</p>

7.11 Warranty by Capitol Shareholders

If the Scheme is implemented, each Scheme Shareholder will be deemed to have warranted to Capitol and IDX, and to have appointed and authorised Capitol as its attorney and agent to warrant to IDX, on the Implementation Date that:

- 7.11.1 all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the date of transfer of them to IDX pursuant to the Scheme, be fully paid and free from all Encumbrances, third party interests (whether legal or equitable) or restrictions on transfer of any kind;
- 7.11.2 they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) to IDX under the Scheme; and
- 7.11.3 they have no existing right to be issued any Capitol Shares or other securities in Capitol.

7.12 Delisting of Capitol

If the Scheme becomes Effective, Capitol will apply for termination of the official quotation of Capitol Shares and for Capitol to be removed from the Official List of ASX, in each case on a date after the Implementation Date to be determined by IDX.

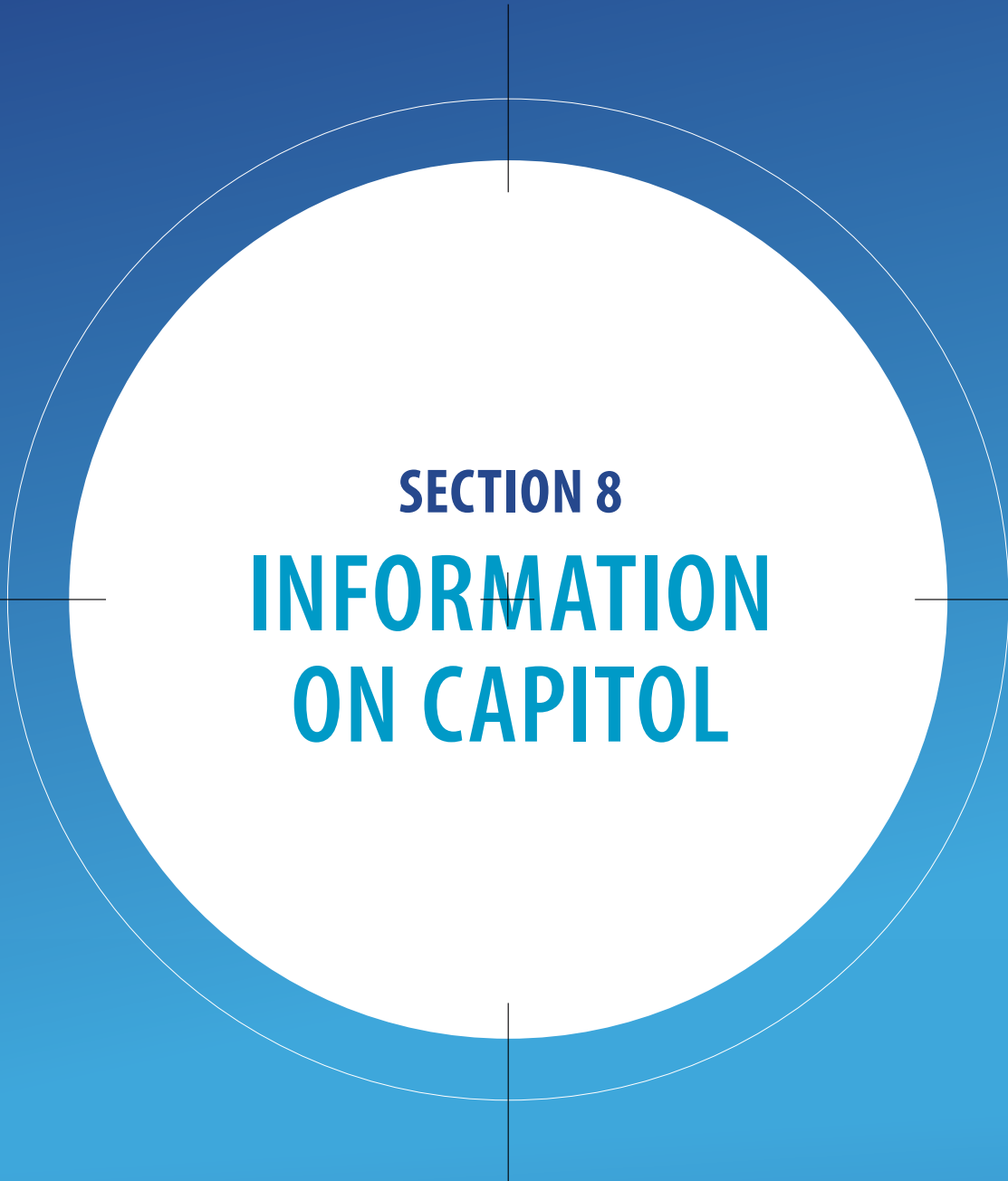
7.13 What will happen if the Scheme is not implemented

If the Scheme is not approved by the Scheme Shareholders or by the Court, or any other Conditions are not satisfied or waived (where capable of waiver), then the Scheme will not be implemented, and Capitol will continue as a stand-alone entity listed on ASX.

The consequences of the Scheme not being implemented include the following,

- 7.13.1 Capitol Shareholders will not receive the Scheme Consideration.
- 7.13.2 Capitol Shareholders will retain their Capitol Shares.
- 7.13.3 If the Scheme is not implemented, the Capitol Directors intend to continue to operate the business of Capitol in the ordinary course and manner consistent with current practices.
- 7.13.4 Unless Capitol Shareholders choose to sell their Capitol Shares, they will continue to hold their Capitol Shares and will be exposed to general investment risks as well as risks specific to Capitol, including those detailed in Section 11.5 as well as potential future benefits in retaining exposure to Capitol's business and assets.
- 7.13.5 Depending on the reasons why the Scheme does not proceed:
 - (a) Capitol may be liable to pay the Break Fee to IDX under certain circumstances, which does not include the Scheme not being approved by Capitol Shareholders at the Scheme Meeting (refer to Section 13.4.5 of this Scheme Booklet for further details); or
 - (b) IDX may be liable to pay the Reverse Break Fee to Capitol under certain circumstances (refer to Section 13.4.6 of this Scheme Booklet for further details).

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SECTION 8
INFORMATION
ON CAPITOL

8. INFORMATION ON CAPITOL

8.1 Overview of Capitol

8.1.1 Overview

Headquartered in Melbourne, Capitol is a leading provider of diagnostic imaging modalities and related services to the Australian Healthcare market. Capitol is a community focused company with its clinics predominantly being suburban rather than hospital based. This allows a priority service to referrers and patients.

Capitol provides a wide range of diagnostic imaging services with revenue primarily generated through X-Ray, Ultrasound, CT and MRI modalities. Capitol also provides specialty services including a focus on women’s imaging, cardiac imaging and musculoskeletal imaging while additional offerings include interventional radiology, nuclear medicine, mammography, bone densitometry and other diagnostics imaging related services.

Within its network, as at the Last Practicable Date, Capitol operates 28 MRI machines; 4 of which are fully licensed, 10 partially licensed and 14 unfunded.

Capitol’s market position allows it to meet consumer demand from patients, general practitioners, allied health professionals and medical specialists by conducting more than 1.5 million diagnostic examinations and procedures every year.

Capitol employs and contracts with over 1,000 people in the delivery of its services which includes approximately 100 radiologists.

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

8.1.2 History

June 2006	On 9 June 2006, Capitol commenced trading on the ASX as an operator of Dental practices.
2007	Capitol entered the radiology industry through acquisition of a Melbourne based Radiology Group.
2008	Exited its dental operations through a range of disposals following a strategic review. Acquired ‘Bell Imaging’ containing nine clinics in metropolitan Melbourne and ‘South East Medical Imaging’, an operator of two radiology clinics in Melbourne.
2011	Acquired the radiology operations of ‘IM Medical Limited’.
2013	Acquired ‘MDI Radiology’.
2014	Acquired ‘Southern Radiology’.
2015	Acquired ‘Imaging @ Olympic Park’. Acquired ‘Eastern Radiology Services’, ‘Sydney Radiology’ and ‘Liverpool Diagnostics’.
2017	Acquired ‘Radiology Tasmania’ and ‘I-Rad Radiology’ in Sunshine, Victoria. Sale of New South Wales radiology assets to I-MED Radiology Network following a strategic review.
2018	Acquired two clinics in the south-west of Western Australia and made an additional acquisition of nine clinics (three located in Victoria and six in Western Australia).
2019	Acquired a network of four radiology clinics in Melbourne.
2020	Acquired a 90% interest in ‘Fowler Simmons Radiology’, a full suite imaging modalities provider based in Adelaide.
2021	Acquired ‘Women’s Imaging’, a Hobart based specialist, and ‘Direct Radiology’.
2022	Acquired ‘Future Medical Imaging Group’.

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8.1.3 Operations

As at the Last Practicable Date Capitol operates 61 clinics throughout Victoria, Tasmania, Western Australia and South Australia.

Capitol locations by State



Capitol brand names

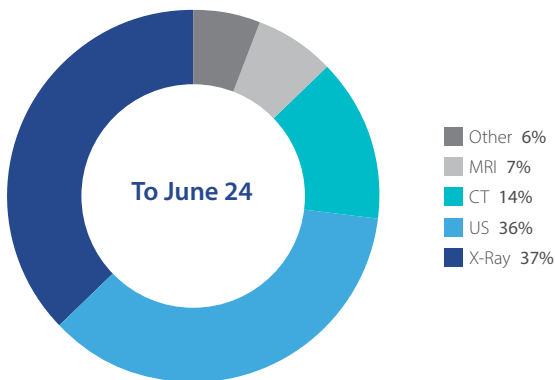
While trading primarily under its flagship brand, Capital Radiology, it also trades as Imaging @ Olympic Park, Radiology Tasmania, Fowler Simmons Radiology, Women’s Imaging, Direct Radiology, Lime Radiology and Future Medical Imaging Group (“FMIG”).



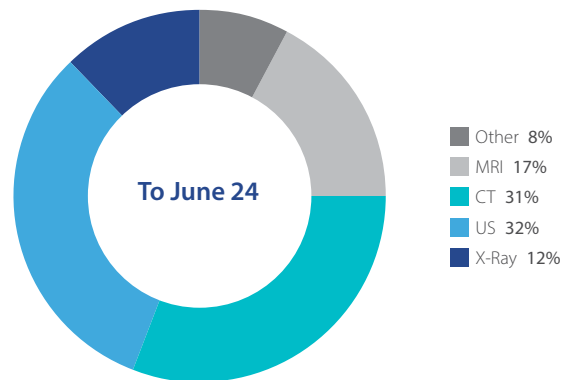
8.1.4 Overview of modalities

Capitol provides imaging and related services across a wide range of modalities.

FY24 Services by Modality



FY24 Revenue by Modality



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8. INFORMATION ON CAPITOL CONTINUED






8.1.5 Substantial shareholders

As at the Last Practicable Date, the substantial Capitol Shareholders that had notified the ASX of their holdings are:

NAME	CAPITOL SHARES HELD AS AT DATE OF SUBSTANTIAL SHAREHOLDER NOTIFICATION	% OF TOTAL CAPITOL SHARES ON ISSUE AS AT DATE OF SUBSTANTIAL SHAREHOLDER NOTIFICATION	DATE OF LAST SUBSTANTIAL SHAREHOLDER NOTIFICATION
Wilson Asset Management Group	118,945,809	11.16%	24 April 2024
National Nominees Ltd ACF Australian Ethical Investment Limited	73,135,413	6.86%	3 September 2024
Washington H. Soul Pattinson and Company Limited and Brickworks Limited and its subsidiaries via WHSP	60,522,584	5.68%	14 November 2023
Microequities Asset Management Pty Ltd	53,469,261	5.02%	20 November 2023

8.1.6 Strategy

In FY24 Capitol Health completed the delivery of its strategic plan that was launched in FY20. The next four-year strategic plan is well progressed and will build on the foundational pillars which underpin Capitol's operating model. Features of the new strategic plan include the expansion of clinics and modality services, planning and investment ahead of MRI deregulation changes and implementation of our environment, social and governance roadmap. The five foundational pillars of Capitol's strategic plan which are to be delivered through Capitol's operating model are:





STRATEGIC PILLAR	OPERATING MODEL
 <p>First choice provider</p>	<ul style="list-style-type: none"> Digital technologies to provide solutions to make ways of working easier CRM systems in Capitol's qualitative and quantitative focused supports and optimisation of the patient/referrer experience Standard operating model ("SOM") across all the Group operations to improve processes
 <p>Destination employer</p>	<ul style="list-style-type: none"> Enhance management team capability with the appointments of key executive team members focussed on clinical care and commercial opportunities Strengthen the organisation wide feedback and coaching framework Implement annual group staff engagement survey and action plans Refine staff recruitment and retention approach in alignment with Capitol's culture and values
 <p>Next-generation technology</p>	<ul style="list-style-type: none"> Delivery of new telephony and data capabilities for Capitol's clinics nationally, including a call centre to improve patient bookings Consolidate multiple physical data centres nationally to a single outsourced solution Improve cyber-security protections across the national IT network
 <p>Operational excellence</p>	<ul style="list-style-type: none"> Resource planning and management solutions to optimise workforce allocation to align with demand for services at clinics Continue optimisation of operational efficiencies through Capitol's cost-to-serve approach Implement a risk management system for incident reporting and management
 <p>Values-based communications</p>	<ul style="list-style-type: none"> Strengthen branding and reputation through strategic and values-centric communications with stakeholders Reinforce the business vision, purpose and pillars with stakeholders

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8.2 Capitol Directors and senior executives

8.2.1 Capitol Directors

As at the date of this Scheme Booklet, the Capitol Directors are:

BOARD	EXPERIENCE
 <p>Andrew Demetriou <i>Chairman and Non-Executive Director</i></p>	<p>Mr Demetriou was Chief Executive Officer of the Australian Football League. He was the Managing Director of the Ruthinium Group, a dental implant business, and he currently remains a Board member. Mr Demetriou has also served as Non-Executive Chairman of the Baxter Group, is a former Chairman of the Australian Multicultural Advisory Council on behalf of the Federal Government for Indigenous Recognition in the Constitution. Mr Demetriou was also the Chairman of the Board of Management of Cox Architecture and a Director of Crown Resorts Limited.</p>
 <p>Justin Walter <i>Managing Director and Chief Executive Officer</i></p>	<p>Mr Walter has a wealth of over thirty-five years experience in healthcare across public and private hospitals, GP and allied health clinics and consulting, along with strong management and leadership skills. Prior to joining Capitol Health, Mr Walter was Managing Director of ASX listed healthcare company Zenitas Healthcare and has held senior roles managing hospitals for Healthscope and Spotless Group's health business.</p> <p>Other than Zenitas Healthcare Ltd, Mr Walter has not served as a director of any other listed company in the past five years.</p>
 <p>Richard Loveridge <i>Non-Executive Director</i></p>	<p>Mr Loveridge served as a partner in the Corporate Group of Herbert Smith Freehills for more than twenty years and was Managing Partner of their National Corporate Group for five years. Mr Loveridge's experience includes capital raisings, mergers and acquisitions, joint ventures, shareholder agreements, company reorganisations and corporate head office and advisory matters.</p> <p>Mr Loveridge holds a Bachelor of Commerce and a Bachelor of Laws from the University of Melbourne, along with a 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. He is also a council member of Scotch College in Melbourne, Chairperson of Council of Ormond College (a residential college affiliated with the University of Melbourne) and Chairperson of Diabetes Victoria.</p> <p>Mr Loveridge was also a director of Powerwrap Limited.</p>
 <p>Laura McBain <i>Non-Executive Director</i></p>	<p>Ms McBain has extensive leadership experience having held roles of Managing Director at Bellamy's Australia Limited, Managing Director of Maggie Beer Holdings Limited and Interim Managing Director of Lark Distilling Ltd and served as its Interim Managing Director and CEO.</p> <p>Ms McBain was Telstra Tasmanian Businesswoman of the Year in 2013 and Telstra Australian Businesswoman of the Year for 2013 (Private and Corporate). She holds a Bachelor of Commerce, completed the Institute for Management Development Leadership Challenge in 2013 and completed the CEIBS-Wharton-IESE Business School Global CEO program in 2017.</p> <p>Ms McBain is a Non-Executive Director for the Tasmanian Government entity Tasmanian Irrigation Pty Ltd and Tasmanian Football Club AFL Limited. She was formerly a Director of Export Finance Australia.</p>

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8. INFORMATION ON CAPITOL CONTINUED

BOARD	EXPERIENCE
 <p>Dr Kevin Shaw <i>Non-Executive Director</i></p>	<p>Dr Shaw is a highly qualified radiologist with fellowship training in MRI. He is the Director of Medical Imaging at University Hospital Geelong, Barwon Health. He obtained his medical degree from Monash University in 2006 and completed his radiology training at Royal Melbourne Hospital.</p> <p>Dr Shaw is a Clinical Professor at Deakin Medical School. He currently sits on the Medical Imaging Advisory Board at Deakin University. Dr Shaw is a past examiner for the Royal Australian and New Zealand College of Radiologists ("RANZCR") and previously sat on the College's Anatomy Exam Review Panel. He has been an MRI Clinical Reviewer for the College since 2014. He is a councillor for Australian Medical Association Victoria as the State Representative for RANZCR.</p>

8.2.2 Senior Management

As at the date of this Scheme Booklet, the current Chief Financial Officer of Capitol is Mr Brendon Pentland, details of whom are set out below:

 <p>Brendon Pentland <i>Chief Financial Officer</i></p>	<p>Mr Pentland brings to Capitol 30+ years of experience in financial management positions. Commencing his career at KPMG, Mr Pentland has since held senior executive positions across a variety of ASX listed and large Australian companies, most recently as CFO of Silk Logistics Holdings Limited and prior to this as Group Finance Manager at McMillan Shakespeare Limited.</p> <p>Mr Pentland joined Capitol in April 2024 as its Chief Financial Officer.</p>
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8.3 Interests of Capitol Directors

A summary of the interests of Capitol Directors in Capitol Shares, IDX Shares and any other interests is set out in Section 13.2 of this Scheme Booklet.

8.4 Historical financial information of Capitol

8.4.1 Basis of Preparation

This Section 8.4 presents the historical consolidated financial information in relation to Capitol as at and for the financial years ended 30 June 2022 (FY22), 30 June 2023 (FY23) and 30 June 2024 (FY24). The information for FY22 has been derived from Capitol's audited consolidated financial statements for FY22. The information for FY23 and FY24 has been derived from Capitol's audited consolidated financial statements for FY24, noting that these reflected a restatement of comparative information as at and for FY23 due to a prior period understatement of lease liabilities (and associated right-of-use assets) and trade payables. The Capitol Directors are responsible for the preparation and presentation of this historical financial information.

The historical financial information of Capitol has been prepared on a going concern basis. For the year ended 30 June 2024, Capitol made a net loss after tax of \$14.8 million and had net current liabilities of \$39.5 million as at 30 June 2024.

The Capitol Directors have considered the following matters in determining the appropriateness of the going concern basis of preparation in the historical financial information of Capitol:

- (a) Capitol has sufficient working capital to enable it to meet its objectives and financial obligations. Net unutilised available funding through its secured banking facilities totals \$53.4 million as at 30 June 2024; and
- (b) Capitol generated net operating cash inflow for the year ended 30 June 2024 of \$36.2 million.

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

In respect of the Scheme, certain financial liabilities subject to fair value assessment as at 30 June 2024 would crystallise at the Implementation Date and require a cash payment. Capitol maintains adequate cash reserves and undrawn debt facilities and expects to be able to pay these debts as and when they fall due.

The historical financial information of Capitol has been prepared in accordance with the recognition and measurement principles contained in AAS. The information in the tables is presented in Australian currency and, unless otherwise noted, is rounded to the nearest \$1,000.

The historical financial information of Capitol is presented in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act.

The historical financial information of Capitol contained in this Section 8.4 has not been subject to audit or review by the Investigating Accountant. This historical financial information should therefore be read in conjunction with the consolidated financial statements of Capitol for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

Further details on Capitol's financial performance and financial statements for FY24 are set out in Capitol's Annual Report for FY24 announced to ASX on 22 August 2024 which can be found on the ASX website (<https://www.asx.com.au>) or the Capitol website (<https://www.capitolhealth.com.au>).

8.4.2 Historical Statements of Comprehensive Income

Below is Capitol's historical consolidated statements of comprehensive income for FY22, FY23 and FY24.

\$'000s	FY22	FY23 RESTATED	FY24
Continuing Operations			
Revenue from contracts with customers	184,158	209,592	234,816
Wages, contractor costs and salaries	(114,610)	(134,595)	(148,772)
Occupancy costs	(4,742)	(6,516)	(6,572)
Medical equipment and consumable supplies	(10,184)	(13,010)	(14,238)
Service costs	(13,496)	(15,280)	(15,951)
Transaction and restructure costs	(1,000)	(1,619)	(2,802)
Unrealised foreign exchange (loss)/gain	1,782	350	(60)
Investments movement in fair value	(2,123)	(17,581)	(572)
Impairment of other non-current assets	–	(2,086)	(2,261)
Financial liabilities movement in fair value	130	293	(20,654)
Depreciation and amortisation	(21,060)	(24,887)	(27,062)
Net finance costs	(2,906)	(5,055)	(7,375)
Profit/(Loss) before Income Tax	15,949	(10,394)	(11,503)
Income tax expense	(4,981)	(1,199)	(3,258)
Profit/(Loss) for the Year	10,968	(11,593)	(14,761)
Other comprehensive income			
Other comprehensive (loss)/income, net of income tax	–	–	–
Total comprehensive (loss)/income for the year	10,968	(11,593)	(14,761)
Attributable to:			
Equity holders of Capitol	10,732	(11,713)	(14,853)
Non-controlling interests	236	120	92
Total comprehensive (loss)/income for the year	10,968	(11,593)	(14,761)
Basic (loss)/earnings per share (cents)	1.04	(1.11)	(1.40)
Diluted (loss)/earnings per share (cents)	1.01	(1.11)	(1.40)

8. INFORMATION ON CAPITOL CONTINUED

8.4.3 Historical Statements of Financial Position

Below is Capitol's historical consolidated statements of financial position as at 30 June 2022, 30 June 2023 and 30 June 2024.

\$'000s	30-JUN-22	30-JUN-23 RESTATED	30-JUN-24
Assets			
Cash and cash equivalents	13,384	19,118	24,050
Trade and other receivables	3,637	5,985	5,147
Investments	113	103	140
Other assets	1,797	2,261	2,049
Income tax receivable	1,176	–	–
Total Current Assets	20,107	27,467	31,386
Plant and equipment	44,464	58,333	60,697
Right-of-use assets	56,701	62,338	54,273
Intangible assets	125,111	173,996	172,991
Investments	19,181	1,950	–
Other receivables	294	216	137
Total Non-Current Assets	245,751	296,833	288,098
Total Assets	265,858	324,300	319,484
Liabilities			
Trade and other payables	11,507	24,365	22,718
Lease liabilities	10,346	11,774	11,223
Other financial liabilities	–	697	22,986
Employee benefit liabilities	11,685	12,423	11,869
Income tax liabilities	–	1,183	2,045
Total Current Liabilities	33,538	50,442	70,841
Borrowings	19,000	72,800	82,800
Lease liabilities	51,860	56,800	49,939
Other financial liabilities	3,771	2,782	276
Provisions	2,611	3,331	3,462
Employee benefit liabilities	437	401	516
Deferred tax liabilities	598	1,810	987
Total Non-Current Liabilities	78,277	137,924	137,980
Total Liabilities	111,815	188,366	208,821
Net Assets	154,043	135,934	110,663
Equity			
Issued capital	153,749	160,165	161,138
Reserves	1,048	2,706	4,777
Accumulated losses	(1,793)	(27,926)	(55,005)
Equity Attributable to the Owners of Capitol	153,004	134,945	110,910
Non-controlling interests	1,039	989	(247)
Total Equity	154,043	135,934	110,663

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8.4.4 Historical Statements of Cash Flows

Below is Capitol's historical consolidated statements of cash flows for FY22, FY23 and FY24.

\$'000s	FY22	FY23 RESTATED	FY24
Operating Activities			
Receipts from customers	184,874	208,381	235,575
Payments to suppliers and employees	(143,800)	(163,539)	(186,424)
Interest received	32	292	474
Interest and other finance charges on borrowings	(1,077)	(3,500)	(5,241)
Interest on lease liabilities	(1,861)	(1,847)	(2,141)
Income tax paid	(5,308)	(807)	(3,219)
Payment of transaction costs	(1,000)	(1,619)	(2,802)
Net cash flows generated from operating activities	31,860	37,361	36,222
Investing Activities			
Purchase of plant and equipment	(13,168)	(16,842)	(17,733)
Proceeds on sale of plant and equipment	–	–	43
Purchase of software	–	–	(1,300)
Proceeds on sale of investment	–	–	1,318
Payments for business acquisitions and investments	(700)	(45,776)	(871)
Net cash flows used in investing activities	(13,868)	(62,618)	(18,543)
Financing Activities			
Proceeds on exercise of options	4,270	–	–
Proceeds/(repayment) from borrowings	(10,000)	53,800	10,000
Proceeds from issue of shares	–	–	518
Payment of dividends	(10,388)	(10,541)	(10,658)
Payment of dividends to non-controlling interests	(209)	(170)	(160)
Cash payment of lease liabilities	(10,030)	(12,098)	(12,447)
Net cash flows from/(used in) financing activities	(26,357)	30,991	(12,747)
Net increase/(decrease) in cash and cash equivalents	(8,365)	5,734	4,932
Cash and cash equivalents at beginning of the year	21,749	13,384	19,118
Cash and cash equivalents at end of year	13,384	19,118	24,050

8. INFORMATION ON CAPITOL CONTINUED

8.4.5 Non-IFRS financial measures

Capitol uses certain measures to manage and report on its businesses that are not recognised under AAS or IFRS. These measures are collectively referred to in this Section 8 as non-IFRS financial measures pursuant to Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. Capitol's management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall Capitol business.

As disclosed in Capitol's Annual Report for FY24, the following non-IFRS measures are used as follows: (1) Operating EBITDA is determined as profit or loss before depreciation and amortisation, net finance costs, income tax and prior to significant non-operating items including changes in fair value of financial assets and liabilities, impairment of non-current assets, transaction and restructure costs, and unrealised foreign exchange gain/(loss); and (2) Underlying NPAT is calculated as statutory net profit or loss after tax, adjusted for significant non-operating items.

Below is a reconciliation between Capitol's (Loss)/Profit after income tax, to its Underlying NPAT and Operating EBITDA for FY22, FY23 and FY24.

\$'000s	FY22	FY23 RESTATED	FY24
(Loss)/Profit after income tax	10,968	(11,593)	(14,761)
Add back significant items:			
Transaction costs	1,000	1,619	2,802
Unrealised foreign exchange loss/(gain)	(1,782)	(350)	60
Movement in fair value of investments	2,123	17,581	572
Impairment of non-current assets	–	2,086	2,261
Movement in fair value of other financial liabilities	(130)	(293)	20,654
Tax on significant items	–	(221)	(553)
Underlying NPAT	12,179	8,829	11,035
Add back:			
Depreciation and amortisation	21,060	24,887	27,062
Net finance costs	2,906	5,055	7,375
Income tax expense	4,981	1,420	3,811
Operating EBITDA	41,126	40,191	49,283

8.5 Recent Capitol share price

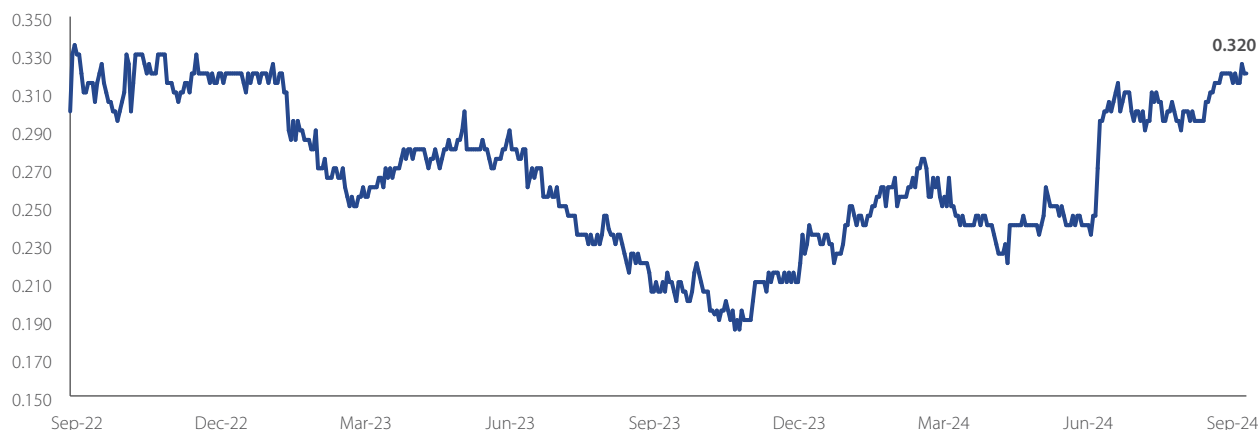
Capitol Shares are listed on the ASX under the trading symbol 'CAJ'.

As at the Last Practicable Date:

- 8.5.1 the closing price of Capitol Shares on the ASX was A\$0.320;
- 8.5.2 the 1-month VWAP of Capitol Shares was A\$0.311;
- 8.5.3 the 3-month VWAP of Capitol Shares was A\$0.304; and
- 8.5.4 the lowest and highest daily closing price for Capitol Shares during the preceding twelve months was A\$0.185 and A\$0.325, respectively.

The graph below shows the closing Capitol Share price over the twelve months up to and including the Last Practicable Date.

Capitol (ASX:CAJ) Share Price (A\$ per share)



Source: IRESS market data as at Last Practicable Date.

The current price of Capitol Shares can be obtained from the ASX website (www.asx.com.au/).

8.6 Material changes in Capitol’s financial position

As at the Last Practicable Date, to the knowledge of the Capitol Directors and other than as disclosed in this Scheme Booklet or announced on the ASX subsequent to this Scheme Booklet, there have been no material changes to the financial position of Capitol since 30 June 2024, being the date of Capitol’s most recent full year accounts. Capitol Shareholders can obtain a copy of Capitol’s FY24 financial report free of charge by calling the Scheme Information Line on 1300 441 601 (within Australia) or +61 2 9698 7164 (outside Australia), which is available between 8.30am and 7.00pm, Monday to Friday (excluding public holidays).

8.7 Capital structure

As at the Last Practicable Date, the capital structure of Capitol is as follows:

SECURITY	NUMBER ON ISSUE
Capitol Shares	1,066,047,498
Options	4,905,000
Performance rights	6,376,789

8.8 Dividend framework and history

Capitol has been paying dividends on a biannual basis since they were reinstated by the Board in 2018. The payment of dividends, while subject to corporate, legal and regulatory considerations, are expected to continue in future years.

DIVIDENDS DECLARED ON ORDINARY SHARES	CENTS	\$’000s
FY24 final dividend	0.4	4,250
FY24 interim dividend	0.5	5,329
FY23 final dividend	0.5	5,329
FY23 interim dividend	0.5	5,318

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8. INFORMATION ON CAPITOL CONTINUED

8.9 Capitol employee incentive plans

A high level summary of Capitol's employee incentive plans is provided below. Further detail on Capitol's incentive plans and remuneration practices is also available in the Capitol FY24 Annual Report.

8.9.1 Short Term Incentive plan

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

The STI award is delivered annually in cash.

8.9.2 Long Term Incentive plan

Capitol's long term incentive (**LTI**) plan is designed as a performance incentive to allow Capitol to attract and retain talent and operates under the Capitol Plan Rules, which were approved by Capitol Shareholders at the annual general meeting held on 16 November 2021. The Capitol Board may invite employees to participate in the Capitol Plan Rules with the issue of Options or Performance Rights. The vesting and granting of Options and Performance Rights issued under the Capitol Plan Rules are subject to set service and performance KPI.

Options issued to senior executives under the Capitol Plan Rules have:

- (a) an exercise price based upon the 20-day VWAP immediately prior to the beginning of the relevant financial year;
- (b) vesting conditions include remaining employed with Capitol and any other conditions as determined by the Capitol Board;
- (c) a vesting period which commences upon the grant date of the relevant Options with 50% becoming eligible for vesting at 24 months from the grant date and 50% becoming eligible at 36 months from the grant date; and
- (d) an expiry date which is 42 months from the grant date.

Options issued to radiologists under the Plan Rules have:

- (a) various exercise prices which are determined by the Capitol Board;
- (b) vesting conditions include remaining as a contractor or employed (as applicable) with Capitol and any other conditions as determined by the Capitol Board;
- (c) a vesting period which commences upon the grant date of the relevant Options with 10% becoming eligible for vesting at 12 months from the grant date, 20% becoming eligible for vesting at 24 months from the grant date and 70% becoming eligible at 36 months from the grant date; and
- (d) an expiry date which is 42 months from the grant date.

Performance Rights issued under the Capitol Plan Rules are:

- (a) granted for no consideration and give the holder a right to acquire a Capitol Share, subject to the satisfaction of specified vesting conditions, Board discretion and dealing restrictions;
- (b) issued with a three-year performance period. The Performance Rights will vest in tranches in accordance with the achievement of Total Shareholder Return (TSR) and Earnings per Share (EPS) growth for the relevant period;
- (c) subject to a vesting condition of ongoing employment but with Board discretion as to the specific treatment including with good leaver provisions; and
- (d) subject to specific treatment in the event of a variation in capital or divestment, change of control and matters involving fraud, dishonesty, gross misconduct or breach of obligations.

8.10 Capitol Directors' intentions

This Section sets out the intention of Capitol Directors regarding:

- 8.10.1 the continuation of the business of Capitol;
- 8.10.2 major changes, if any, to be made to the business of Capitol; and
- 8.10.3 any future employment of the present employees of Capitol.

If the Scheme is implemented, IDX will acquire and control Capitol. On the Implementation Date, IDX intends to reconstitute the Capitol Board. Accordingly, it is not possible for the Capitol Directors to provide a statement of their intentions after the Scheme is implemented regarding the above matters. The current intentions of IDX with respect to these matters are set out in Section 10.4.

If the Scheme is not implemented, the Capitol Directors intend to continue to operate Capitol in the ordinary course of business, including with respect to the matters set out above, and for Capitol to remain listed on ASX.

8.11 Publicly available information about Capitol

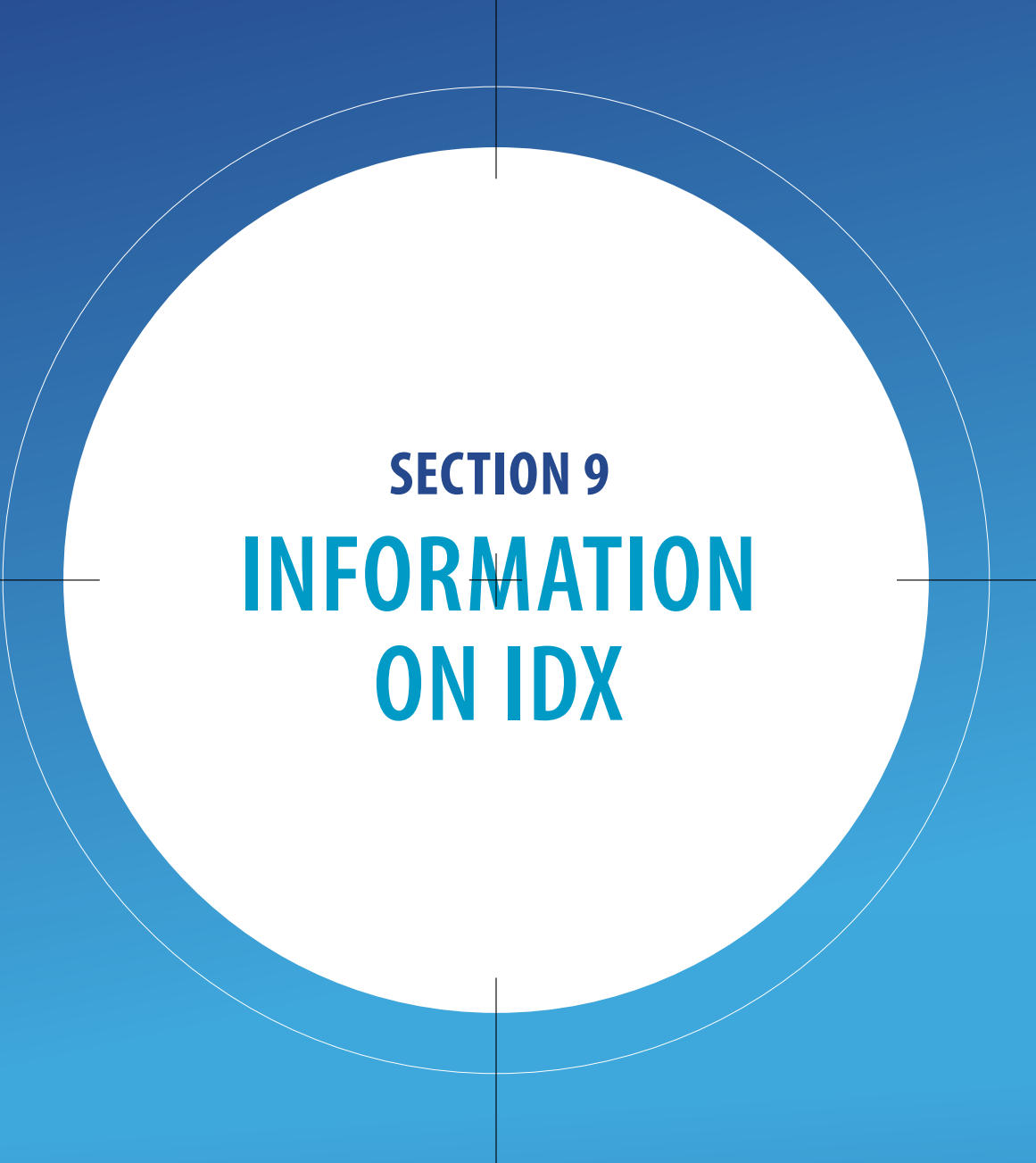
Capitol is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on the ASX, Capitol is subject to the Listing Rules which require (subject to certain exceptions) continuous disclosure of any information that Capitol has that a reasonable person would expect to have a material effect on the price or value of Capitol Shares.

ASX maintains files containing publicly disclosed information about entities listed on the ASX. Information disclosed to ASX by Capitol is available on ASX's website at www.asx.com.au/.

In addition, Capitol is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Capitol may be obtained from any office of ASIC.

Capitol annual and interim reports and public announcements are also available on Capitol's website (<https://www.capitolhealth.com.au/investors/reports-and-presentations> and <https://www.capitolhealth.com.au/investors/corporategovernance>) or can be requested by calling the Scheme Information Line on 1300 441 601 (within Australia) or +61 2 9698 7164 (outside Australia), Monday to Friday (excluding public holidays), between 8.30am and 7.00pm.

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SECTION 9
INFORMATION
ON IDX

9. INFORMATION ON IDX

9.1 Overview of IDX

9.1.1 Overview

IDX is an Australian and New Zealand healthcare services company whose main activity is providing diagnostic imaging services to referrers (general practitioners, medical specialists, and allied health professionals) and their patients.

Diagnostic imaging is the branch of medicine that utilises a range of non-invasive imaging technology to create images of bones, tissues and organs within the human body in order to diagnose and treat illness and injury.

The images produced by diagnostic imaging are a critical tool for referrers in reaching a diagnosis and deciding on the most effective and efficient form of treatment for patients. In this way, appropriate use of diagnostic imaging can significantly enhance medical outcomes for patients while at the same time reducing the overall cost of healthcare.

IDX provides diagnostic imaging services through a network of 90 sites in five regional geographic markets in Victoria, New South Wales, Queensland, Western Australia and New Zealand, as well as providing teleradiology services through its proprietary platform, IDXt.

IDX operates a variety of imaging modalities, including:

- (a) Computed Tomography (CT);
- (b) Interventional Radiology (IR);
- (c) Magnetic Resonance Imaging (MRI);
- (d) Mammography;
- (e) Nuclear medicine (which includes Positron Emission Tomography (PET));
- (f) Radiograph (X-ray) & EOS Imaging; and
- (g) Ultrasound (US).

As at 30 June 2024, IDX employs 155 radiologists (with a further 88 contractor radiologists) and 1,822 non-radiologist employees. It has 36 MRI machines (including 17 full and 6 partial MRI licenses) and 7 PET scanners.




9.1.2 History

1967	The practice that would become South Coast Radiology is established in Queensland.
2002	Lake Imaging is established in Ballarat, Victoria.
2007	Darling Downs and Mackay Radiology Sunshine Coast Radiology practices opened.
2011	Lake Imaging acquired Western Medical Imaging.
2012	Lake Imaging acquired Ballarat MRI.
2014	Lake Imaging merged with South Coast Radiology to form Integral Diagnostics (IDX). Acquired 60% of Global Diagnostics in Western Australia.
2015	Acquired remainder of Global Diagnostics. Integral Diagnostics successfully listed on ASX.
2018	Acquired Geelong Medical Imaging. Acquired Specialist Radiology Group, Trinity MRI and Cavendish Radiology in Auckland, New Zealand.
2019	Acquired Imaging Queensland.
2020	IDXt established – specialist overflow and after hours teleradiology provider. Integral Diagnostics included in S&P/ASX 300 index. Acquired Ascot Radiology, New Zealand.
2021	Acquired The X-Ray Group, New South Wales and Victoria.
2022	Acquired Horizon Radiology, New Zealand. Acquired Peloton Radiology Group, Queensland.




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9. INFORMATION ON IDX CONTINUED






9.1.3 Operations

BRAND	OPERATING OVERVIEW																					
	<p>Imaging Queensland</p> <p>Established in 2011 on the Sunshine Coast and has expanded across South East Queensland. Imaging Queensland provides diagnostic imaging services at 15 branches. The Imaging Queensland network comprises:</p> <ul style="list-style-type: none"> • Sunshine Coast Radiology • Central Queensland Radiology • IQ Radiology <p>Core markets: Sunshine Coast, Rockhampton, Gladstone</p> <table border="1" data-bbox="432 819 1383 1010"> <tr> <td>Sites</td> <td>15</td> <td>Comprehensive sites¹</td> <td>5</td> </tr> <tr> <td rowspan="2">MRI machines</td> <td rowspan="2">5</td> <td>Full MRI licences</td> <td>4</td> </tr> <tr> <td>Partial MRI licences</td> <td>1</td> </tr> <tr> <td>PET scanners</td> <td>–</td> <td></td> <td></td> </tr> <tr> <td>Employed radiologists²</td> <td>26</td> <td>Number of employees⁴</td> <td>311</td> </tr> </table>				Sites	15	Comprehensive sites¹	5	MRI machines	5	Full MRI licences	4	Partial MRI licences	1	PET scanners	–			Employed radiologists²	26	Number of employees⁴	311
Sites	15	Comprehensive sites¹	5																			
MRI machines	5	Full MRI licences	4																			
		Partial MRI licences	1																			
PET scanners	–																					
Employed radiologists²	26	Number of employees⁴	311																			
	<p>X-Ray & Imaging (Peloton Radiology)</p> <p>A local diagnostic imaging provider based on the Sunshine Coast and Brisbane/Moreton Bay areas. X-Ray & Imaging (Peloton Radiology) provides services at 9 sites and the network includes:</p> <ul style="list-style-type: none"> • X-Ray & Imaging • CitiScan Radiology • Lime Radiology • Diagnostic Imaging for Women <p>Core markets: Brisbane, Sunshine Coast</p> <table border="1" data-bbox="432 1379 1383 1570"> <tr> <td>Sites</td> <td>9</td> <td>Comprehensive sites¹</td> <td>3</td> </tr> <tr> <td rowspan="2">MRI machines</td> <td rowspan="2">3</td> <td>Full MRI licences</td> <td>–</td> </tr> <tr> <td>Partial MRI licences</td> <td>3</td> </tr> <tr> <td>PET scanners</td> <td>–</td> <td></td> <td></td> </tr> <tr> <td>Employed radiologists²</td> <td>6</td> <td>Number of employees⁴</td> <td>166</td> </tr> </table>				Sites	9	Comprehensive sites¹	3	MRI machines	3	Full MRI licences	–	Partial MRI licences	3	PET scanners	–			Employed radiologists²	6	Number of employees⁴	166
Sites	9	Comprehensive sites¹	3																			
MRI machines	3	Full MRI licences	–																			
		Partial MRI licences	3																			
PET scanners	–																					
Employed radiologists²	6	Number of employees⁴	166																			
	<p>South Coast Radiology</p> <p>Since 1967, South Coast Radiology (SCR) has provided radiology services on the Gold Coast. It provides medical imaging services to the Tweed, Gold Coast, Darling Downs and Mackay communities.</p> <p>Core markets: Gold Coast, Toowoomba, Mackay</p> <table border="1" data-bbox="432 1771 1383 1962"> <tr> <td>Sites</td> <td>17</td> <td>Comprehensive sites¹</td> <td>8</td> </tr> <tr> <td rowspan="2">MRI machines</td> <td rowspan="2">9</td> <td>Full MRI licences</td> <td>5</td> </tr> <tr> <td>Partial MRI licences</td> <td>2</td> </tr> <tr> <td>PET scanners</td> <td>2</td> <td></td> <td></td> </tr> <tr> <td>Employed radiologists²</td> <td>38</td> <td>Number of employees⁴</td> <td>449</td> </tr> </table>				Sites	17	Comprehensive sites¹	8	MRI machines	9	Full MRI licences	5	Partial MRI licences	2	PET scanners	2			Employed radiologists²	38	Number of employees⁴	449
Sites	17	Comprehensive sites¹	8																			
MRI machines	9	Full MRI licences	5																			
		Partial MRI licences	2																			
PET scanners	2																					
Employed radiologists²	38	Number of employees⁴	449																			

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BRAND	OPERATING OVERVIEW																							
	<p>Apex Radiology Established in 1996, Apex Radiology provides patients in rural and regional communities in Western Australia access to diagnostic imaging services. Apex Radiology has recently opened in the Perth metro area. Apex also provides Radiology and Teleradiology services to WACHS (Western Australia Country Health Service).</p> <p>Core markets: South West Western Australia</p> <table border="1" data-bbox="485 667 1439 862"> <tr> <td>Sites</td> <td>6</td> <td>Comprehensive sites¹</td> <td>3</td> </tr> <tr> <td>MRI machines</td> <td>3</td> <td>Full MRI licences</td> <td>2</td> </tr> <tr> <td></td> <td></td> <td>Partial MRI licences</td> <td>–</td> </tr> <tr> <td>PET scanners</td> <td>1</td> <td></td> <td></td> </tr> <tr> <td>Employed radiologists²</td> <td>10</td> <td>Number of employees⁴</td> <td>205</td> </tr> </table>				Sites	6	Comprehensive sites¹	3	MRI machines	3	Full MRI licences	2			Partial MRI licences	–	PET scanners	1			Employed radiologists²	10	Number of employees⁴	205
Sites	6	Comprehensive sites¹	3																					
MRI machines	3	Full MRI licences	2																					
		Partial MRI licences	–																					
PET scanners	1																							
Employed radiologists²	10	Number of employees⁴	205																					
	<p>Lake Imaging Lake Imaging has been offering radiology services to patients throughout Geelong, Central and Western Victoria for over 20 years. It currently operates 18 clinics in locations including Ballarat, Geelong, Warrnambool, North Melbourne and outer western areas of Melbourne.</p> <p>Core markets: Ballarat, Geelong, Warrnambool and outer western areas of Melbourne</p> <table border="1" data-bbox="485 1086 1439 1281"> <tr> <td>Sites</td> <td>18</td> <td>Comprehensive sites¹</td> <td>6</td> </tr> <tr> <td>MRI machines</td> <td>8</td> <td>Full MRI licences</td> <td>4</td> </tr> <tr> <td></td> <td></td> <td>Partial MRI licences</td> <td>–</td> </tr> <tr> <td>PET scanners</td> <td>2</td> <td></td> <td></td> </tr> <tr> <td>Employed radiologists²</td> <td>38</td> <td>Number of employees⁴</td> <td>392</td> </tr> </table>				Sites	18	Comprehensive sites¹	6	MRI machines	8	Full MRI licences	4			Partial MRI licences	–	PET scanners	2			Employed radiologists²	38	Number of employees⁴	392
Sites	18	Comprehensive sites¹	6																					
MRI machines	8	Full MRI licences	4																					
		Partial MRI licences	–																					
PET scanners	2																							
Employed radiologists²	38	Number of employees⁴	392																					
	<p>The X-ray Group Since 2007, the X-ray Group have delivered diagnostic medical imaging services to the local communities of Albury, Wodonga, Wangaratta, Yarrawonga and Lavington.</p> <p>Core markets: Albury, Wodonga, Wangaratta, Yarrawonga, Lavington</p> <table border="1" data-bbox="485 1473 1439 1668"> <tr> <td>Sites</td> <td>5</td> <td>Comprehensive sites¹</td> <td>2</td> </tr> <tr> <td>MRI machines</td> <td>2</td> <td>Full MRI licences</td> <td>2</td> </tr> <tr> <td></td> <td></td> <td>Partial MRI licences</td> <td>–</td> </tr> <tr> <td>PET scanners</td> <td>–</td> <td></td> <td></td> </tr> <tr> <td>Employed radiologists²</td> <td>4</td> <td>Number of employees⁴</td> <td>74</td> </tr> </table>				Sites	5	Comprehensive sites¹	2	MRI machines	2	Full MRI licences	2			Partial MRI licences	–	PET scanners	–			Employed radiologists²	4	Number of employees⁴	74
Sites	5	Comprehensive sites¹	2																					
MRI machines	2	Full MRI licences	2																					
		Partial MRI licences	–																					
PET scanners	–																							
Employed radiologists²	4	Number of employees⁴	74																					

9. INFORMATION ON IDX CONTINUED

BRAND	OPERATING OVERVIEW																					
 AstraRadiology  TrinityMRI  SRGRadiology  HorizonRadiology	<p>New Zealand: Astra, SRG and Horizon Radiology Trinity MRI</p> <p>IDX New Zealand brands located in Auckland provide patients with radiology services, across all diagnostic imaging modalities; MRI, CT, PET CT ultrasound, digital breast tomosynthesis and plain x-rays.</p> <p>Trinity MRI is a diagnostics imaging facility dedicated to brain, spine and neurovascular imaging.</p> <p>Core markets: Auckland</p> <table border="1" data-bbox="432 685 1383 875"> <tr> <td>Sites</td> <td>20</td> <td>Comprehensive sites¹</td> <td>5</td> </tr> <tr> <td rowspan="2">MRI machines</td> <td rowspan="2">6</td> <td>Full MRI licences</td> <td>n/a</td> </tr> <tr> <td>Partial MRI licences</td> <td>n/a</td> </tr> <tr> <td>PET scanners</td> <td>2</td> <td></td> <td></td> </tr> <tr> <td>Employed radiologists³</td> <td>33</td> <td>Number of employees⁴</td> <td>225</td> </tr> </table>				Sites	20	Comprehensive sites¹	5	MRI machines	6	Full MRI licences	n/a	Partial MRI licences	n/a	PET scanners	2			Employed radiologists³	33	Number of employees⁴	225
Sites	20	Comprehensive sites¹	5																			
MRI machines	6	Full MRI licences	n/a																			
		Partial MRI licences	n/a																			
PET scanners	2																					
Employed radiologists³	33	Number of employees⁴	225																			
	<p>Teleradiology: IDXt</p> <p>Launched in 2020, IDXt provides urgent, routine and overflow teleradiology services across all modalities delivered by 80 contracted radiologists. IDXt services the IDX Group, private radiology practices and public hospitals in Western Australia, Queensland, Victoria and New South Wales.</p>																					

The above tables reflect data current as at 30 June 2024.




Notes:

1. Comprehensive sites include a range of radiology equipment including MRIs and CTs and are located with or near major specialist referrers.
2. Relates to employed radiologists only. In addition, IDX has had 88 contractor radiologists providing services.
3. Consistent with the New Zealand private radiology model, all doctors work across the public and private sector and meet the criteria to be classified as contractors but are on terms and conditions similar to IDX employed radiologists.
4. This number represents the number of employees on employment contracts on either part time or full time arrangements. It does not represent the number of full time equivalent employees or individual casual/contract arrangements. In addition there are 155 employees in the corporate office (including IDXt) totalling 1,977 employees.

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9.2 Directors and senior management



9.2.1 Directors

BOARD	EXPERIENCE
 <p>Toby Hall <i>Independent Non-Executive Chair</i> MBA, GAICD, CGMA</p>	<p>Mr Toby Hall was appointed as an independent Non-Executive Director of IDX on 28 September 2023 and became Chair on 29 November 2023.</p> <p>Toby has deep healthcare executive leadership experience in Australia and New Zealand and is an experienced Board and Committee Chair. Previously, Toby was the Group CEO of St Vincent’s Health Australia from 2014 to 2022, the second largest non-government provider of hospital and care services in the country. He has also overseen multisite, for-profit generating businesses at both board and executive levels in employment services, early learning services and aged care.</p> <p>Toby has also had extensive involvement in policy development at a Federal level in Australia having served on committees established by Prime Ministers, Deputy Prime Ministers, Health Ministers, Employment and Social Services Ministers.</p> <p>He is currently Chair of Sana Health Group, Non-Executive Chair of For Purpose Aged Care, Non-Executive Director of UNICEF Australia, a Director of Papua New Guinea Sustainable Development Fund, a trustee of Yajilarra (a philanthropic foundation) and advisory board member for Fujitsu Australia and New Zealand.</p>
 <p>Dr Ian Kadish <i>Managing Director and Chief Executive Officer</i> MBBSCh, MBA</p>	<p>Dr Ian Kadish was appointed Managing Director and Chief Executive Officer of IDX on 22 May 2017.</p> <p>Ian began his career as a medical doctor in Johannesburg, South Africa. He subsequently completed an MBA at the Wharton Business School at the University of Pennsylvania (Dean’s List) and followed this with several roles overseas including McKinsey and Company, CSC Healthcare in New York City, and Netcare, a major hospital group in South Africa and the United Kingdom, where Dr Kadish was an Executive Director from 1997 to 2006. Ian was instrumental in growing the group from five hospitals with a market capitalisation of \$60 million, to 119 hospitals and a market capitalisation of \$3 billion.</p> <p>Since migrating to Australia in 2006, Dr Kadish’s roles have included CEO and MD of Healthcare Australia, CEO and MD of Pulse Health Group (previously ASX-listed hospital group) and CEO of Laverty Pathology.</p> <p>Ian is currently a Non-Executive Director of Teaminvest Private Group Limited (ASX: TIP). He is also a Director of the Australian Diagnostic Imaging Association (ADIA).</p>
 <p>Raelene Murphy <i>Independent Non-Executive Director</i> BBus, FCA, GAICD</p>	<p>Ms Raelene Murphy was appointed as an independent Non-Executive Director of IDX on 1 October 2017.</p> <p>Beginning her career in audit, Raelene has over 30 years’ experience in strategic, financial and operational leadership in both industry and professional advisory. She was formerly a Partner in a national accounting firm, Managing Director of Korda Mentha and CEO of the Delta Group. In her professional advisory career, she specialised in operational and financial restructuring, with a particular emphasis on merger and acquisition integration across a range of significant public and private companies.</p> <p>Raelene is a Fellow of Chartered Accountants Australia and New Zealand and has extensive experience as Chair of Audit and Risk Committees for ASX listed companies.</p> <p>She is currently a Non-Executive Director of Bega Limited (ASX: BGA), Elders Limited (ASX: ELD) and Tabcorp Holdings Limited (ASX: TAH).</p>

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9. INFORMATION ON IDX CONTINUED

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BOARD	EXPERIENCE
 <p>Andrew Fay Independent Non-Executive Director BAGec (Hons), A Fin</p>	<p>Mr Andrew Fay was appointed as an independent Non-Executive Director of IDX on 18 July 2022.</p> <p>Andrew brings to the IDX Board over 30 years’ experience in funds and investment management, including Chief Executive Officer and Chief Investment Officer roles at Deutsche Asset Management (Australia) Limited. He also held a number of other senior investment roles at Deutsche Asset Management and previously at AMP Capital. From 1998 to 2006, he was a member of the Investment Board Committee of the Financial Services Council.</p> <p>Andrew is an experienced company director across ASX listed, private and regulated entities and accordingly brings to the IDX Board skills in financial and risk management, capital markets, executive remuneration frameworks, strategy, investment and corporate governance. Specifically, he has sector experience and expertise in financial services, including investment, funds, property and infrastructure management.</p> <p>He is currently Chair of Growthpoint Properties Australia (ASX: GOZ), a Non-Executive Director of National Cardiac Pty Ltd and Utilities of Australia Pty Ltd (Trustee of Utilities Trust of Australia) and advises Microbiogen Pty Ltd in the area of corporate development.</p>
 <p>Ingrid Player Independent, Non-Executive Director BEc, LLB (Hons), GAICD</p>	<p>Ms Ingrid Player was appointed as an independent Non-Executive Director of IDX on 29 August 2023.</p> <p>Ingrid is an experienced former executive and non-executive director with international commercial and regulatory experience in mergers and acquisitions, corporate governance, capital developments, risk and sustainability that spans different markets and industries in Australia and Europe.</p> <p>Ingrid’s experience includes her senior executive roles with one of Australia’s leading healthcare providers where she worked closely with the Board to deliver various capital raisings, retail listed notes, and debt finance deals. She was also instrumental in leading the integration of more than 50 businesses into the Group and implemented the Group’s first Reconciliation Action Plan and established diversity targets throughout the organisation. Ingrid’s roles included Group Executive for Legal Governance and Sustainability as well as General Counsel and Company Secretary between 2005 and 2019.</p> <p>She is currently a Non-Executive Director of Cleanaway Waste Management Limited (ASX: CWY) and Cogstate Limited (ASX: CGS) and is also a Non-Executive Director of the Epworth Foundation.</p>

9.2.2 Senior management

SENIOR LEADER	EXPERIENCE
 <p>Craig White Chief Financial Officer</p>	<p>Mr Craig White joined IDX on 24 January 2022 as Chief Financial Officer.</p> <p>Mr White is a global executive with more than 35 years of Australian and international experience across numerous countries, most recently over the past 7 years in the healthcare sector.</p> <p>Mr White has served as the Group Chief Financial Officer (CFO) of GenesisCare, the leading global provider of radiation oncology services. Prior to joining GenesisCare, Craig held similar roles with The Coca-Cola Company, both in Sydney and Jakarta, Billabong International Limited, the Australian Agricultural Company (AACo) and the Australian College of Training & Employment (ACTE).</p> <p>Mr White holds a degree in Economics and Accounting from Southampton University in the UK and has completed a post graduate Masters of Business Administration with Deakin University in Australia.</p>

SENIOR LEADER	EXPERIENCE
 <p>Julian Gully Chief Information Officer</p>	<p>Mr Julian Gully joined IDX as its National IT Manager in January 2018 and was promoted to the role of CIO in September 2019.</p> <p>Mr Gully has gained a deep understanding of the Radiology business during his 20 year career in the industry, and is regarded as a leader in the Radiology and Health IT industry. During his Radiology career he has been responsible for some of the largest digitalisation and transformational projects ever undertaken within the industry, including the migration of multiple PACS instances across the country along with the introduction of a state of the art RIS to over 150 clinics, and has a commercial degree in Business Management (major in accounting).</p>

9.3 Interests of IDX Directors

9.3.1 Interests of IDX Directors in IDX Shares

The table below sets out the relevant interests of IDX Directors in IDX Shares as at the Last Practicable Date.

IDX DIRECTOR	INTERESTS IN IDX SHARES
Toby Hall	151,719
Dr Ian Kadish	585,476
Raelene Murphy	30,945
Andrew Fay	85,000
Ingrid Player	35,000

9.3.2 Interests of IDX Directors in Capitol Shares

No Capitol Shares are held by, or on behalf of, IDX Directors as at the Last Practicable Date.

9.3.3 Other interests of IDX Directors

Except as disclosed in this Scheme Booklet, the IDX Directors have no interest in the outcome of the Scheme.

9.4 Historical financial information of IDX

9.4.1 Basis of preparation

This Section 9.4 presents the historical consolidated financial information in relation to IDX for FY22, FY23 and FY24. The IDX Directors are responsible for the preparation and presentation of this historical financial information. The historical financial information of IDX has been prepared on a going concern basis. Whilst IDX is in a net current asset deficit position at 30 June 2024, IDX has sufficient operating cash flows and available debt facilities to pay its debts as and when they fall due for the next 12 months. The information for FY22 has been derived from IDX's audited consolidated financial statements for FY22. For comparative purposes, certain balances have been reclassified for consistency where relevant. The information for FY23 and FY24 has been derived from IDX's audited consolidated financial statements for FY24.

The historical financial information of IDX has been prepared in accordance with the recognition and measurement principles contained in AAS. The information in the tables is presented in Australian currency and, unless otherwise noted, is rounded to the nearest \$1,000.

The historical financial information of IDX contained in this Section 9.4 is presented in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act.

The historical financial information of IDX contained in this Section 9.4 has not been subject to audit or review by the Investigating Accountant. This historical financial information should therefore be read in conjunction with the consolidated financial statements of IDX for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

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9. INFORMATION ON IDX CONTINUED

Further details on IDX's financial performance and financial statements for FY24 are set out in IDX's Annual Report for FY24 announced to ASX on Tuesday, 27 August 2024 which can be found on the ASX website (<https://www.asx.com.au>) or the IDX website (<https://integraldiagnosics.com.au>).

9.4.2 Historical statements of profit or loss and other comprehensive income

Below is IDX's historical consolidated statements of profit or loss and other comprehensive income for FY22, FY23 and FY24.

\$'000s	FY22 ¹⁵	FY23	FY24
Revenue			
Revenue	360,930	440,762	469,697
Interest and other income	39	448	861
Total revenue and other income	360,969	441,210	470,558
Expenses			
Consumables	(19,221)	(21,040)	(22,920)
Employee benefits expense	(219,612)	(276,607)	(294,289)
Depreciation expense	(20,644)	(25,459)	(27,888)
Amortisation expense	(16,055)	(18,027)	(18,974)
Transaction, restructuring and integration benefits/(expenses)	(5,460)	10,412	(2,918)
Share based payment reversal/(expense)	638	(2,540)	(1,589)
Equipment related expenses	(13,142)	(15,616)	(15,819)
Occupancy expenses	(8,028)	(7,769)	(9,926)
Technology expenses	–	(12,936)	(15,421)
Other general expenses	(26,243)	(22,302)	(20,703)
Impairment expense	–	–	(74,639)
Finance costs	(10,483)	(18,365)	(22,547)
Share of net profits/(losses) of joint ventures accounted for using the equity method	(158)	(328)	(60)
Total expenses	(338,408)	(410,577)	(527,693)
(Loss)/profit before income tax expense	22,561	30,633	(57,135)
Income tax expense	(7,958)	(5,593)	(3,564)
(Loss)/profit for the year from continuing operations	14,603	25,040	(60,699)
Other comprehensive income			
Exchange differences on translation of foreign operations	(1,912)	1,017	87
Total comprehensive income	12,691	26,057	(60,612)

15. For comparative purposes, certain balances in FY22 have been reclassified for consistency where relevant. In particular, 'Technology expenses' were included within 'Other general expenses' in FY22.

9.4.3 Historical statements of financial position

Below is IDX's historical consolidated statements of financial position as at 30 June 2022, 30 June 2023 and 30 June 2024.

\$'000s	30-JUN-22	30-JUN-23 ¹⁶	30-JUN-24
Assets			
Current assets			
Cash and cash equivalents	123,193	33,855	42,438
Trade and other receivables	19,409	21,690	24,491
Income tax receivable	3,594	96	328
Other assets	6,524	5,251	5,912
Inventory	1,264	1,848	1,651
Total current assets	153,984	62,740	74,820
Non-current assets			
Property, plant and equipment	124,252	153,059	148,734
Right-of-use assets	106,881	129,397	121,648
Intangible assets	380,487	474,772	399,069
Deferred tax asset	17,252	3,806	–
Investments accounted for using the equity method	159	15	5
Total non-current assets	629,031	761,049	669,456
Total assets	783,015	823,789	744,276
Liabilities			
Current liabilities			
Trade and other payables	22,897	31,145	32,823
Borrowings	5,470	2,454	2,210
Lease liabilities	11,740	14,214	13,960
Contingent consideration	16,376	7,479	9,189
Provisions	23,521	27,375	27,501
Total current liabilities	80,004	82,667	85,683
Non-current liabilities			
Contingent consideration	8,236	7,778	673
Borrowings	217,582	221,142	219,756
Lease liabilities	106,199	127,266	121,871
Deferred tax liability	14,226	2,367	3,834
Provisions	9,524	9,521	10,752
Total non-current liabilities	355,767	368,074	356,886
Total liabilities	435,771	450,741	442,569
Net assets	347,244	373,048	301,707
Equity			
Contributed capital	322,543	333,280	335,001
Reserves	(12,455)	(9,788)	(8,329)
Retained profits	37,156	49,556	(24,965)
Total equity	347,244	373,048	301,707

16. For comparative purposes, certain balances as at 30 June 2023 have been reclassified for consistency where relevant in accordance with IDX's FY24 Annual Report.

9. INFORMATION ON IDX CONTINUED

9.4.4 Historical statements of cash flows

Below is IDX's historical consolidated statements of cash flows for FY22, FY23 and FY24.

\$'000s	FY22	FY23 ¹⁷	FY24
Cash flows from operating activities			
Receipts from customers	357,020	440,367	465,880
Payments to suppliers and employees	(286,726)	(349,757)	(378,077)
Transaction and integration costs relating to acquisition of subsidiaries	(5,460)	(3,976)	(2,102)
Interest and other finance costs paid	(10,328)	(17,814)	(22,115)
Interest received	39	448	861
Income taxes received/(paid)	(17,445)	(1,992)	1,712
Net cash from operating activities	37,100	67,276	66,159
Cash flows from investing activities			
Payments for purchase of subsidiary, net of cash acquired	(24,614)	(84,813)	–
Payments in settlement of contingent consideration	(3,309)	(150)	(4,025)
Payments for property, plant and equipment	(27,770)	(43,995)	(23,878)
Net cash used in investing activities	(55,693)	(128,958)	(27,903)
Cash flows from financing activities			
Proceeds from issue of share capital	91,828	2,203	1,721
Transaction costs paid on issue of share capital	(2,875)	–	–
Proceeds from borrowings drawn	114,153	43,049	–
Repayment of borrowings	(89,829)	(45,209)	(2,424)
Repayment of the principal element of lease liabilities	(11,280)	(14,978)	(14,929)
Dividends paid to Company shareholders	(20,863)	(12,640)	(13,822)
Net cash from/(used in) financing activities	81,134	(27,575)	(29,454)
Net (decrease)/increase in cash and cash equivalents	62,541	(89,389)	8,802
Cash and cash equivalents at the beginning of the financial year	62,203	123,193 ¹⁸	33,855
Effects of exchange rate changes on cash and cash equivalents	(1,551)	51	(219)
Cash and cash equivalents at the end of the financial year	123,193	33,855	42,438

17. For comparative purposes, certain balances in FY23 have been reclassified for consistency where relevant in accordance with IDX's FY24 Annual Report.

18. An immaterial casting error of \$0.1 million in IDX's Annual Report for FY23 has not been amended.

9.4.5 Non-IFRS financial measures

IDX uses certain measures to manage and report on its businesses that are not recognised under AAS or IFRS. These measures are collectively referred to in Section 9 of this Scheme Booklet as non-IFRS financial measures pursuant to ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information'. IDX management uses these non-IFRS financial measure to evaluate the performance and profitability of the overall IDX business.

As disclosed in IDX's Annual Report for FY24, the following non-IFRS measures are used as follows: (1) Operating EBITDA is determined as profit or loss before depreciation and amortisation, net finance costs, income tax and prior to significant non-operating items including changes in fair value of financial assets and liabilities, impairment of non-current assets, transaction and restructure costs, and unrealised foreign exchange gain/(loss); and (2) Operating NPAT is calculated as statutory net profit or loss after tax, after excluding tax effected non-operating items.

Below is a reconciliation between IDX's statutory historical NPAT to its Operating NPAT and Operating EBITDA for FY22, FY23 and FY24.

\$'000s	FY22	FY23	FY24
Operating NPAT			
Statutory historical NPAT	14,603	25,040	(60,699)
<i>Adjusted for:</i>			
Remeasurement of contingent consideration liabilities (tax-effected)	–	(15,774)	(1,337)
Transaction and integration costs (tax-effected)	5,491	4,879	3,393
Share based payments (tax-effected)	(637)	1,852	999
Share of net profit of joint ventures (tax-effected)	158	328	60
Amortisation of customer contracts (tax-effected)	2,111	1,537	1,057
Impairment expense (tax-effected)	–	26	74,639
Operating NPAT	21,726	17,888	18,112
Finance costs	10,484	18,365	22,547
Other income	(39)	(423)	(861)
Income tax expense	8,837	8,028	6,297
Depreciation	20,651	25,459	27,888
Amortisation	13,103	15,874	17,485
Operating EBITDA	74,762	85,190	91,468

9.5 Material changes in IDX's financial position

As at the Last Practicable Date, to the knowledge of the IDX Directors and other than as disclosed in this Scheme Booklet or announced on ASX subsequent to this Scheme Booklet, there have been no material changes to the financial position of IDX since 30 June 2024, being the date of IDX's most recent full year accounts.

9.6 Dividend policy

Dividends paid to IDX Shareholders are typically in the range of 65–75% of the IDX Group's Operating NPAT. In certain circumstances, the IDX Board may declare a dividend outside of that range.

Further details on IDX's Operating NPAT calculation for FY24 are set out in Section 9.4.5 and IDX's Annual Report for FY24 announced to ASX on Tuesday, 27 August 2024.

9. INFORMATION ON IDX CONTINUED

9.7 Capital structure

The table below sets out the securities on issue in IDX as at the Last Practicable Date.

SECURITY	NUMBER ON ISSUE
IDX Shares	233,961,997
IDX options	907,990
IDX performance rights	2,550,001

As at the Last Practicable Date, IDX had a market capitalisation of approximately \$601 million (based on a closing price of \$2.57 per IDX Share and 233,961,997 IDX Shares on issue).

9.8 Substantial shareholders

The table below sets out the substantial shareholders in IDX as at the Last Practicable Date based on the relevant shareholder's last substantial shareholder notification and the number of IDX Shares on issue as at the Last Practicable Date.

NAME	IDX SHARES	% OF TOTAL IDX SHARES ON ISSUE	DATE OF LAST SUBSTANTIAL SHAREHOLDER NOTIFICATION
Yarra Capital Management Limited ¹⁹	22,866,180	9.77	30 August 2024
Viburnum Funds Pty Ltd	16,105,036	6.88	10 May 2024
IDX ²⁰	13,470,639	5.76	8 November 2023

9.9 IDX employee incentive plans

A high level summary of IDX's employee incentive plans is provided below. Further detail on IDX's incentive plans and remuneration practices more generally is available in the Remuneration Report of IDX's Annual Report for FY24.

9.9.1 Short Term Incentive plan

The Short Term Incentive (STI) plan is designed to reward employees and executives for the achievement of financial, strategic and sustainability objectives for each financial year.

The STI is comprised of a cash component and a deferred equity component granted in the form of performance rights. The performance rights are subject to a service condition, clawback and restrictions on dealing. Where these conditions are satisfied, vesting occurs on the day following the release of IDX's results for the following financial year.

9.9.2 Long Term Incentive plan

The Long Term Incentive (LTI) plan is designed to reward employees and executives for their contribution to the long-term value to the Company.

The LTI is granted in the form of performance rights subject to measurement against hurdles set for key performance indicators on aggregate diluted operating earnings per share, relative total shareholder return and return on invested capital. The performance rights are tested based on performance over a 3 year period commencing on 1 July in the year they are granted. The performance rights do not carry any dividend or voting rights prior to vesting, and are subject to a clawback.

Participants may also elect to place an additional dealing restriction, by way of a holding lock, foregoing the right to trade on any shares they may receive on vesting and exercise of the performance rights. The additional restriction period may range from one to eight years after vesting.

19. Includes: Yarra Capital Management Limited; Yarra Funds Management Limited; Yarra Capital Management Holdings Pty Ltd; Yarra Management Nominees Pty Ltd; AA Australia Finco Pty Ltd; TA SP Australia Topco Pty Ltd and TA Universal Investment Holdings Ltd.

20. As a result of voluntary escrow arrangements entered into by IDX under the IDX's employee incentive plan and in connection with acquisitions announced to ASX, IDX has a relevant interest in IDX Shares under section 608(1)(c) of the Corporations Act. IDX has no right to acquire these IDX Shares or to control the voting rights attached to them.

9.10 Loan Share Plan

The Loan Share Plan is offered to selected radiologists to recognise their central role within the IDX Group.

Participants must make a cash contribution toward self funded shares, granting them a limited recourse loan to receive two loan shares for every self funded share. Dividends on the loan shares are applied to repaying the loan, and the outstanding balance must be repaid within 10 years. Voting rights attach to the shares from the allocation date.

Self-funded shares are subject to a holding lock, with 25% of the self funded shares to be released from the holding lock on each anniversary of the allocation date. Loan shares are subject to a 4 year continuous service condition, following which they vest.

9.11 Recent IDX Share price performance

IDX Shares are listed on ASX under the ticker "IDX". As at 14 June 2024, being the last trading day before the announcement of the Process Deed, the closing price of IDX Shares on ASX was \$2.54. As at 18 July 2024, being the last trading day before the announcement of the MID, the closing price of IDX Shares on ASX was \$2.48.

The closing price of IDX Shares on the ASX on the Last Practicable Date, was \$2.57.

During the three months ending on the Last Practicable Date:

- 9.11.1 the highest recorded daily closing price for IDX Shares on ASX was \$2.64 on 29 August 2024; and
- 9.11.2 the lowest recorded daily closing price of IDX Shares on ASX was \$2.41 on 30 July 2024.

IDX Share price performance over the 24 months to the Last Practicable Date



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9. INFORMATION ON IDX CONTINUED

9.12 Rights and liabilities attaching to IDX Shares

The rights and liabilities attaching to the New IDX Shares which will be issued to Scheme Shareholders as Scheme Consideration will be the same as those attaching to existing IDX Shares and will rank equally with all issued fully paid ordinary shares of IDX from the date of their allotment. These rights and liabilities are detailed in IDX’s constitution and are subject to the Corporations Act and Listing Rules.

The table below summarises some of the key rules in IDX’s constitution in relation to the rights and liabilities currently attaching to IDX Shares. This summary does not purport to be exhaustive and must be read subject to the full text of the IDX constitution. A copy of IDX’s constitution is available on ASX announcements platform or the IDX website.

Capitol Shareholders should seek their own independent advice in relation to their rights and liabilities as potential holders of New IDX Shares in specific circumstances.

ITEM	DESCRIPTION
Meeting of members	Subject to the terms of the IDX constitution, each IDX Shareholder is entitled to receive notice of, attend and vote at, general meetings of IDX and to receive all notices, accounts and other documents required to be sent to IDX Shareholders under the IDX constitution, the Corporations Act and Listing Rules.
Voting at meetings	<p>At a general meeting of IDX, IDX Shareholders present in person or by proxy, corporate representative or attorney will have one vote on a show of hands and on a poll one vote for each IDX Share held.</p> <p>A resolution at a general meeting must be decided on a show of hands unless a poll is demanded in accordance with the Corporations Act.</p> <p>IDX Shareholders are also entitled to, if the IDX Board allows, submit direct votes – which may be by way of post, fax or other electronic means approved by the IDX Board.</p> <p>If more than one joint holder of an IDX Share is present at a meeting and tenders a vote, the vote of the IDX Shareholder named first in the IDX Share Register will be accepted to the exclusion of others.</p> <p>A person present at a general meeting who represents more than one IDX Shareholder (whether personally, or by proxy, attorney or representative) is entitled to only one vote only on a show of hands, even though he or she represents more than one IDX Shareholder.</p> <p>In the event of an ordinary resolution where there is an equality of votes, the chair will have a casting vote unless otherwise restricted from voting on that resolution by the Corporations Act, Listing Rules or ASX.</p>
Dividends	<p>The IDX Board may from time to time resolve to pay dividends to IDX Shareholders that, in its judgment, the financial position of IDX justifies and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment. The decision to pay a dividend may be revoked by the IDX Board at any time before the time fixed for payment.</p> <p>Holders of any partly paid IDX Shares will only be entitled to the amount of the dividend which is proportional to the amount paid on each partly paid ordinary share.</p>

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ITEM	DESCRIPTION
<p>Transfer of IDX Shares</p>	<p>Subject to IDX's constitution, IDX Shares may be transferred by:</p> <ol style="list-style-type: none"> a proper transfer or any other method of transferring or dealing in shares introduced by ASX or operated in accordance with the ASX Settlement Operating Rules or Listing Rules and recognised under the Corporations Act; or a written instrument of transfer in any usual form or in any other form approved by either the IDX Board or ASX, that is otherwise permitted by law. <p>The IDX Board may refuse to register a transfer of IDX Shares where permitted by the Listing Rules, and will refuse to register any transfer of IDX Shares where:</p> <ol style="list-style-type: none"> the Corporations Act or Listing Rules require IDX to do so or the transfer is in breach of the Listing Rules; or the IDX Shares are Restricted Securities (as defined in the Listing Rules) and the transfer is in breach of any agreement entered into by IDX in respect of those Restricted Securities.
<p>Issue of further IDX Shares</p>	<p>Subject to the IDX constitution, the IDX Board may decide to issue further shares, including preference and partly-paid shares, and grant options to acquire IDX Shares and decide the terms on which the rights and restrictions attaching to those shares or options on such terms, rights and restrictions as the IDX Board resolves.</p> <p>Unless otherwise specified in the IDX constitution, all issued shares rank equally from the date of issue.</p>
<p>Sale of unmarketable parcels</p>	<p>In accordance with the Listing Rules, the IDX Board may sell IDX Shares that constitute less than a marketable parcel (within the meaning of the Listing Rules) by following the procedure described in the IDX constitution.</p>
<p>Variation of class rights</p>	<p>As at the date of this Scheme Booklet, there is only one class of IDX Shares on issue, being the IDX Shares.</p> <p>The IDX Board may, subject to their terms of issue, vary or modify the rights attaching to any class of shares with the written consent of 75% of the issued shares of any particular class or with the sanction of a special resolution passed at a meeting of the holders of that class.</p>
<p>Number of IDX Directors</p>	<p>IDX must have at least three directors (excluding alternates). Subject to the IDX constitution and the Corporations Act, IDX Shareholders may elect any natural person as an IDX Director by ordinary resolution. The IDX Board may appoint a person to be an IDX Director at any time except during a general meeting.</p>
<p>Capitalising profits</p>	<p>Subject to the Listing Rules, any rights or restrictions attached to any IDX Shares and any special resolution of IDX in general meeting, IDX may capitalise profits, reserves or other amounts available for distribution to IDX Shareholders. Subject to the terms of issue of the New IDX Shares, IDX Shareholders are entitled to participate in dividends.</p>
<p>Reduction of capital</p>	<p>IDX may reduce or alter its capital structure in any manner permitted by the Corporations Act or the Listing Rules.</p>
<p>Winding up</p>	<p>If IDX is wound up:</p> <ol style="list-style-type: none"> each preference shareholder has a right to repayment of the capital paid up on each preference share and any dividend in arrears, but no right to participate in any surplus assets or profits; and otherwise, the liquidator may, with approval by special resolution, divide among the IDX Shareholders all or any of IDX's assets and for that purpose, determine how it will carry out the division between the IDX Shareholders but may not require an IDX Shareholder to accept any shares or other securities in respect of which there is any liability.

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9. INFORMATION ON IDX CONTINUED

9.13 IDX's interests in Capitol

9.13.1 Interest in Capitol Shares

Neither IDX nor any of its Associates has a relevant interest in any Capitol Shares.

9.13.2 No dealing in Capitol Shares in previous four months

Except for the consideration to be provided under the Scheme, neither IDX nor any of its Associates has provided or agreed to provide consideration for any Capitol Share under any purchase or agreement during the period of four months before the date of this Scheme Booklet.

9.13.3 No pre-Scheme benefits

See Section 7.9 for details of the proposed treatment of Capitol Equity Incentives in connection with the Scheme.

During the period of four months prior to the date of this Scheme Booklet, neither IDX nor any of its Associates gave, or offered to give, or agreed to give a benefit to another person that was likely to induce the other person, or an associate of the other person, to:

- (a) vote in favour of the Scheme; or
- (b) other than as described in the paragraph immediately above, dispose of Capitol Shares,

and which will not be provided to all Scheme Shareholders under the Scheme.

9.13.4 No payment or benefits to current Capitol Directors

During the four months before the date of this Scheme Booklet, neither IDX nor any of its Associates gave, or offered to give, or agreed to give a benefit to any current Capitol Directors.

9.14 Publicly available information about IDX

IDX is a publicly listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, IDX is subject to the Listing Rules which require continuous disclosure (with some exceptions) of any information that IDX has which a reasonable person would expect to have a material effect on the price or value of IDX Shares.

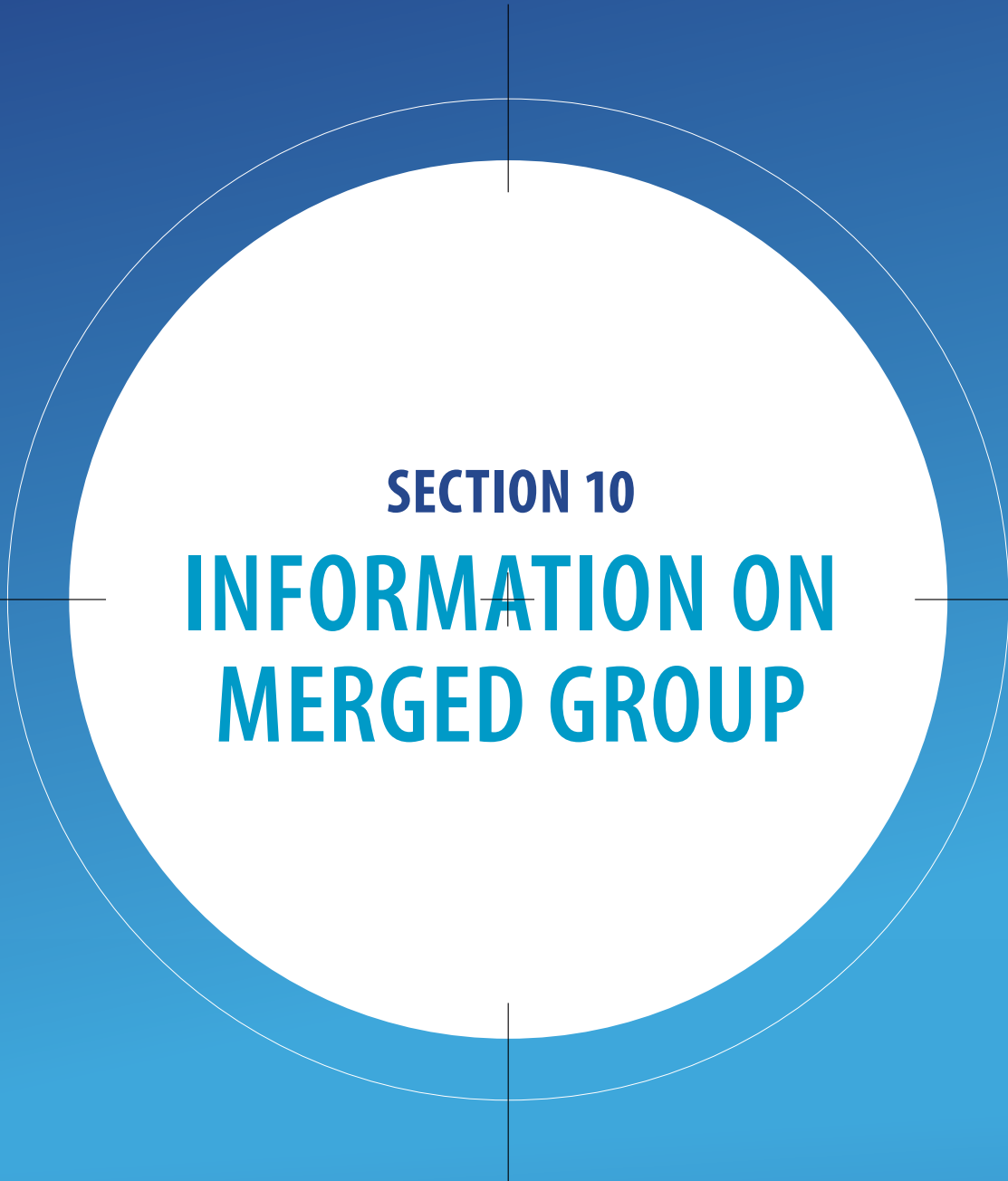
In addition, IDX is required to maintain periodic disclosure (including yearly and half yearly financial statements) with ASIC in accordance with the Corporations Act and ASX in accordance with the Listing Rules.

Information disclosed by IDX is available on ASX's website (<https://www.asx.com.au>) and IDX's website (<https://integraldiagnostics.com.au>). Copies of documents lodged by IDX with ASIC may be obtained from or inspected at any ASIC office or on ASIC's website (<https://www.asic.gov.au>).

9.15 No other material information

Other than as disclosed in this Scheme Booklet, there is no information regarding IDX, or its intentions regarding the Capitol Group, that is material to the making of a decision by a Capitol Shareholder on whether or not to vote in favour of the Scheme that is within the knowledge of any IDX Director as at the date of this Scheme Booklet that has not previously been disclosed to Capitol Shareholders.

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SECTION 10
INFORMATION ON
MERGED GROUP

10. INFORMATION ON MERGED GROUP

10.1 Overview of the Merged Group

The merger of IDX and Capitol will bring together two highly complementary businesses to create a leader in diagnostic imaging in Australia and New Zealand, with a footprint of 151 clinics supported by approximately 350 radiologists (including contractors) and approximately 3,000 employees. The combination of IDX and Capitol creates a single organisation aligned to a unified patient-centric vision, purpose and strategy. The strengths and capabilities of both companies will be leveraged to establish leadership in diagnostic imaging services, focused on delivering superior clinical outcomes for patients, doctors and referrers, and expanding access to advanced imaging technologies.

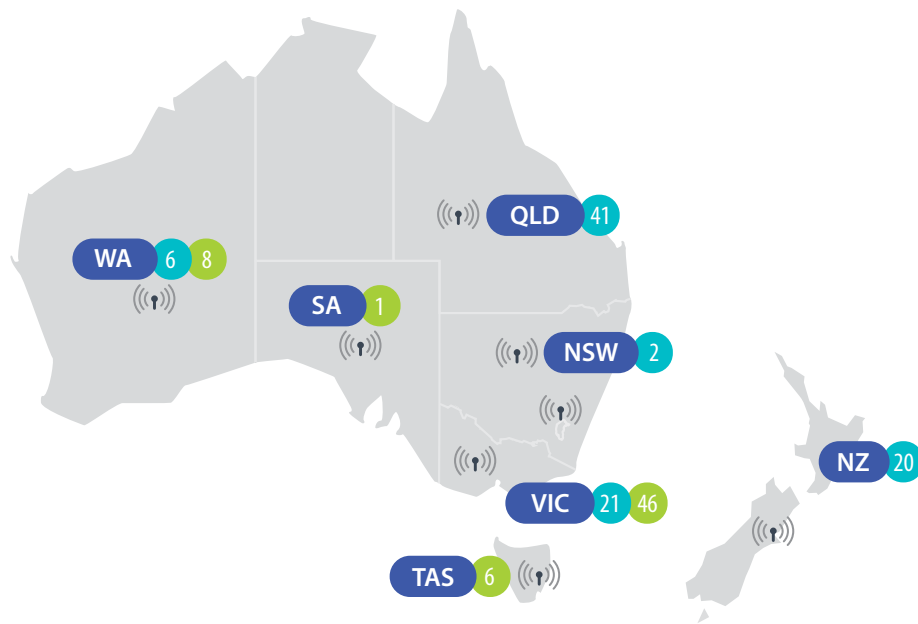
The Merged Group is expected to have increased capacity to invest in higher-end imaging modalities, including MRI and PET/CT. It is also expected to have an improved ability to deploy advancements in technology and artificial intelligence, and will leverage IDX's leading teleradiology capabilities across the broader platform of the Merged Group.

The Merged Group will have pro forma historical revenue of \$705 million, Operating EBITDA of \$141 million and Operating EBITDA after cash lease payments of \$106 million²¹ for FY24. This does not include at least \$10 million of anticipated annual pre-tax net cost synergies.²² The Merged Group is expected to be a market leader in diagnostic imaging services in Australia and New Zealand.

The Merged Group will have an enhanced presence in the Victorian and Western Australian markets, as well as exposure to Queensland and New Zealand markets through IDX's existing presence.

Market position post-merger²³

- 90 Total IDX Sites
- 61 Total Capitol Sites
- ((())) IDXt Coverage



21. Operating EBITDA after cash lease payments calculated as Merged Group pro forma Operating EBITDA less Capitol cash lease payments of \$14.6 million and IDX cash lease payments of \$20.5 million.
 22. See Section 10.2 for further information in relation to the anticipated synergies.
 23. Based on IDX sites as at 30 June 2024 and Capitol sites as at the Last Practicable Date. The number of IDX sites and Capitol sites (and therefore the expected number of 151 Merged Group sites) is subject to change.

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10.2 Overview of synergies

10.2.1 Anticipated cost synergies

IDX has identified at least \$10 million of anticipated annual pre-tax net cost synergies. The key areas of these synergies are as follows:

- (a) **Corporate function:** Savings from the consolidation of duplicative corporate functions;
- (b) **Indirect procurement:** Procurement savings for non-clinical items such as travel and entertainment, technology, telecommunications, insurance and labour hire;
- (c) **Listed company costs:** Savings related to Capitol's current Board and ASX listing costs; and
- (d) **Clinical costs:** Savings related to rebates on equipment maintenance, and the procurement of consumables and medical supplies. This also includes the transition of Capitol's teleradiology services to IDXt.

The \$10 million of anticipated annual pre-tax net cost synergies takes into account certain dis-synergies, being potential adjustments to remuneration and the creation of an additional environmental, social and governance (ESG) focussed role. The majority of these synergies are expected to be generated from the consolidation of duplicate corporate functions. It is expected that the full amount of the \$10 million of anticipated annual pre-tax net cost synergies will be achieved by the end of two years following implementation of the Scheme, with the majority expected to be achieved within the first year following implementation.

Capitol Shareholders should note that the anticipated synergy numbers outlined above represent current expectations, and are subject to a number of assumptions, including as to future events which involve inherent uncertainties and contingencies. The final synergy value will only be able to be determined following implementation of the Scheme and completion of the Merged Group's detailed review of its operations outlined in Section 10.4. There is a risk that the anticipated synergies may not be realised or that they may be realised over a longer period of time than anticipated. See Section 11.3.2 for further information. In particular, following the review process, the number or type of duplicate corporate functions ultimately consolidated may result in less cost savings than expected. Similarly, once the relevant indirect procurement processes are completed by the Merged Group (including negotiation with suppliers in some cases), there may be less indirect procurement cost savings than expected.

10.2.2 Potential administrative and revenue synergies

In addition to the anticipated net cost synergies outlined above, potential administrative synergies may be achieved through the utilisation of IDX's artificial intelligence-enabled technology to improve Capitol's billing and claims processes.

Potential revenue synergies may also be realised in the following areas:

- (a) **Doctor productivity improvements:** A focus on sub-specialty reporting may achieve efficiencies to enhance patient outcomes and the roll-out of IDX's Clario imaging platform across Capitol may improve radiologist load sharing and utilisation; and
- (b) **Scale and network benefits:** The Merged Group is expected to have increased capacity to invest in higher-modality services (such as CT, MRI and PET), more opportunities to secure additional national contracts through enhanced geographic coverage, more opportunities for the cross-referral of specialist radiology services, and create radiologist staffing benefits across Capitol's network in Western Australia.

These potential administrative and revenue synergies have not been quantified by IDX and there is no guarantee that any administrative or revenue synergies will be achieved by the Merged Group.

10.2.3 Transaction, integration and accelerated Capitol joint venture liability costs

If the Scheme is implemented, there is expected to be total post-tax one-off costs of approximately \$50.8 million for the Merged Group.

Included in this figure are transaction costs for IDX and Capitol related to the Scheme, as well as one-off costs required to integrate the two businesses and realise synergies, which are expected to total approximately \$29.6 million. This total amount is expected to be incurred over the first two years post-implementation of the Scheme, with the majority incurred in the first year.

In addition, implementation of the Scheme will accelerate payments under certain of Capitol's joint venture arrangements. The total one-off costs associated with these joint venture liabilities are expected to be up to approximately \$21.2 million, including approximately:

- (a) \$19 million for which Capitol has agreed to purchase the remaining 25% interest in the practice Imaging @ Olympic Park (IOP) that it does not already own (see Section 10.7 for further information); and
- (b) \$2.2 million in relation to another Capitol joint venture where the joint venture partner has a put option to require Capitol to purchase the remaining interest in the joint venture on implementation of the Scheme (which is assumed to be exercised).

The total \$50.8 million amount does not distinguish between amounts which may have already been paid by either IDX or Capitol prior to the Implementation Date. There is a risk that the estimated transaction, integration and accelerated Capitol joint venture liability costs may be higher than those currently expected to be incurred.

10. INFORMATION ON MERGED GROUP CONTINUED

10.3 Strategic rationale for the merger

The merger of IDX and Capitol is expected to create a market leader in diagnostic imaging services in Australia and New Zealand. IDX intends for the Merged Group to deliver best-in-class clinical services and capability to achieve optimal health outcomes for patients, radiologists, and referrers.

The strategic rationale for the merger is summarised as follows.

10.3.1 Significantly enhanced scale

The merger combines two highly complementary businesses into a more geographically diversified portfolio, with a total footprint of 151 clinics across Victoria, Queensland, Western Australian, Tasmania, South Australia, New South Wales, and New Zealand. The enhanced operating and financial scale as compared to each standalone business is expected to create the following benefits for the Merged Group:

- (a) Improved ability to attract and retain top radiologists and clinical staff;
- (b) Enable a wider breadth of patient services to be provided;
- (c) Increased opportunity to invest in technology and artificial intelligence; and
- (d) Significant clinical and non-clinical procurement benefits.

10.3.2 Platform to drive best-in-class clinical outcomes for patients, doctors and referrers

The combination of IDX and Capitol is expected to enhance deep clinical expertise across a wider network, promoting sub-specialty reporting and peer review opportunities to ensure the highest service quality.

There will be an attractive opportunity to deploy IDX's advanced artificial intelligence-enabled clinical technology, which is currently used in most of IDX's business units, having commenced in Apex Radiology in February 2019 and IDXt in 2020. The technology analyses exams, detects abnormalities, prioritises cases and then highlights the abnormalities for radiologists. It currently accounts for more than 5% of IDX's volumes and includes CT-based algorithms for the detection of intracranial haemorrhage, brain aneurysm, large vessel occlusion, acute and incidental pulmonary embolism, cervical spine fracture and rib fracture, as well as 'Bone View', which is a general X-ray algorithm for bone fracture. It is expected that once the intelligence-enabled clinical technology is deployed across the Merged Group, it will drive doctor productivity gains, enhance detection capabilities and reduce turnaround times for patients whose lives depend on it.

The merger is expected to leverage strengths and principles from both businesses including an advanced clinical governance framework and increased training, fellowship and research opportunities for radiologists.

10.3.3 Financially attractive opportunity

IDX has identified at least \$10 million of anticipated annual pre-tax net cost synergies. It is expected that the full amount of the \$10 million of anticipated annual pre-tax net cost synergies will be achieved by the end of two years following implementation of the Scheme, with the majority expected to be achieved within the first year following implementation.

The Merged Group will have a materially greater financial profile, with pro forma historical revenue of \$705 million, Operating EBITDA of \$141 million and Operating EBITDA after cash lease payments of \$106 million²⁴ for FY24. This does not include at least \$10 million of anticipated annual pre-tax net cost synergies.²⁵

10.3.4 Well positioned for future growth

As a larger business, the Merged Group will be well positioned to support future growth initiatives, including but not limited to:

- (a) An improved ability to invest in costly higher end imaging modalities, including MRI and PET/CT;
- (b) Rolling out IDX's leading teleradiology platform, IDXt within the Merged Group to:
 - (i) Enable load balancing across all regions;
 - (ii) Provide Capitol radiologists additional opportunity for after-hours reporting; and
 - (iii) Grow the IDXt teleradiology business through an increased resource pool;

24. Operating EBITDA after cash lease payments calculated as Merged Group pro forma Operating EBITDA less Capitol cash lease payments of \$14.6 million and IDX cash lease payments of \$20.5 million.

25. See Section 10.2 for further information in relation to the anticipated synergies.

- (c) Clinical and doctor productivity gains including sub-specialty reporting opportunities;
- (d) Better positioned to secure additional national contracts;
- (e) A strong balance sheet with pro forma leverage of 2.6x²⁶ as at 30 June 2024 (which is expected to continue trending downwards), which positions the Merged Group to pursue further value-accretive investments, including M&A; and
- (f) IDX and Capitol have also achieved radiologist alignment under certain of Capitol's joint venture agreements, to support sustained long-term earnings growth.

10.4 IDX's intentions if Scheme is implemented

This Section 10.4 sets out the current intentions of IDX in relation to the Merged Group if the Scheme is implemented. The statements of intention are formed on the basis of facts and information known to IDX at the date of this Scheme Booklet.

Final decisions regarding the Merged Group's future operations will be made by the IDX Board in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this Section 10.4 are statements of current intentions only, which may vary as new information becomes available or circumstances change, and the Merged Group further develops its strategic focus and outlook.

10.4.1 Operations

If the Scheme is implemented, IDX intends to implement the anticipated annual pre-tax net cost synergies set out in Section 10.2. In addition, IDX will undertake a review of the Merged Group's operations covering strategic, financial, risk and commercial operating matters to determine and implement improvements to integrate these functions, deliver synergies and explore new growth opportunities.

10.4.2 Directors and senior management

If the Scheme is implemented, Ms Laura McBain and Dr Kevin Shaw will be invited to join the IDX Board as Non-Executive Directors. After implementation of the Scheme, it is intended that the IDX Board will comprise up to six Non-Executive Directors (including Ms McBain and Dr Shaw that will be invited to join the IDX Board), up to two Executive Radiologist Directors, and the Chief Executive Officer and Managing Director.

The Chair of the Merged Group's board will be the current Chair of IDX, Mr Toby Hall.

The Chief Executive Officer and Managing Director of the Merged Group will be the current IDX Chief Executive Officer and Managing Director, Dr Ian Kadish. Section 9.2.1 contains further details of the qualifications and background of Dr. Kadish.

The current Chief Executive Officer and Managing Director of Capitol, Mr Justin Walter, will assume the transitional role of Chief Integration Officer, which will be responsible for driving the successful integration of the two businesses. Section 8.2.1 contains further details of the background of Mr Walter.

Other members of the Merged Group's senior management team will be selected based on the principle that the best executive for the job will be offered the relevant role having regard to the skills, experience, knowledge, and expertise required to manage the Merged Group and its resources.

10.4.3 Corporate governance

It is intended that the Merged Group will continue to be governed by IDX's current corporate governance policies. In addition to IDX's 2024 Corporate Governance Statement lodged with ASX on 27 August 2024, available at the ASX website (<https://www.asx.com.au>), a copy of IDX's core corporate governance policies can be accessed on IDX's website (<https://integraldiagnostics.com.au/corporate-governance/>).

26. Leverage ratio is calculated as net debt divided by EBITDA, using IDX and Capitol adjusted net debt (excluding lease liabilities) as at 30 June 2024 of \$183.5 million and \$64.5 million respectively. Net debt, which comprises borrowings net of cash, has been adjusted to include IDX and Capitol total off-balance sheet bank guarantees and other debt-like items of \$9.0 million. Merged Group net debt has been adjusted to include the post-tax estimated transaction costs related to the Scheme of \$20.5 million (\$0.3 million of total post-tax transaction costs of \$20.8 million related to the Scheme have already been paid by IDX and Capitol in FY24), post-tax estimated one-off integration costs of \$8.8 million, and accelerated Capitol joint venture liability costs of \$21.2 million. EBITDA based on IDX Operating EBITDA after cash lease payments of \$71.0 million, Capitol Operating EBITDA after cash lease payments of \$34.7 million and \$10 million of anticipated annual pre-tax net cost synergies.

10. INFORMATION ON MERGED GROUP CONTINUED

10.4.4 Dividend policy

Following implementation of the Scheme, IDX intends to maintain its existing dividend policy as set out in Section 9.6.

Capitol Shareholders should note that the payment of future dividends by the Merged Group will be at the discretion of the IDX Board and will be a function of a number of factors including general business conditions, the operating results and financial condition of the Merged Group, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations, including the availability of franking credits, any contractual, legal or regulatory restrictions on the payment of dividends by the Merged Group, and any other factors that the IDX Board may consider relevant.

10.4.5 Corporate matters in relation to Capitol

In accordance with the MID, if the Scheme becomes Effective, it is intended that the Capitol Shares will be suspended from trading at the close of trading on the Effective Date. If the Scheme is implemented, Capitol will apply to be removed from the Official List of ASX.

10.4.6 Employees

IDX considers Capitol’s radiologists and other employees to be an integral part of the success of the Capitol business.

Nevertheless, as part of implementing the anticipated annual pre-tax net cost synergies set out in Section 10.2 (which is expected to involve the consolidation of duplicate corporate functions) and the general review process described above, IDX intends to consider and evaluate the future staffing requirements, and determine the optimal organisational structure, of the Merged Group. Accordingly, final decisions on these matters (including any changes to the employment of the present employees of Merged Group) will, if necessary, only be made following completion of this post-implementation review based on all material facts and circumstances at the relevant time.

10.4.7 Merged Group debt facilities

The existing debt facilities of IDX and Capitol will mature in February 2026 and May 2026 respectively.

In connection with the Scheme, IDX intends to refinance the existing debt facilities of IDX and Capitol on or after implementation of the Scheme to establish a debt structure that aligns with the Merged Group’s enhanced scale and financial position. As at the Last Practicable Date, IDX has commenced the refinancing process but has not yet entered into any binding agreements in respect of it.

10.5 Capital structure of the Merged Group

As at the Last Practicable Date, there are 233,961,997 IDX Shares on issue. If the Scheme is implemented, IDX will issue New IDX Shares to Scheme Shareholders and the total number of IDX Shares on issue will increase.

The total number of New IDX Shares that IDX will issue under the Scheme is 137,795,797, subject to rounding, and is calculated based on Scheme Consideration of 0.12849 New IDX Shares for each Capitol Share.²⁷ Accordingly, the number of IDX Shares on issue on implementation of the Scheme will be approximately 371,757,794.

On implementation of the Scheme, IDX Shareholders will own approximately 63% of the Merged Group and Capitol Shareholders will own approximately 37% (assuming there are no Ineligible Shareholders).

10.6 Merged Group substantial shareholders

The table below sets out the expected substantial shareholders in the Merged Group on implementation of the Scheme based on substantial holder notifications as at the Last Practicable Date.

NAME	IDX SHARES	% OF TOTAL IDX SHARES ON ISSUE
Yarra Capital Management Limited ²⁸	22,866,180	6.15%

27. Assuming 1,072,424,287 Capitol Shares are on issue on the Scheme Record Date, comprising 1,066,047,498 Capitol Shares on issue as at the Last Practicable Date and 6,376,789 Capitol Shares that are expected to be issued following the exercise of Performance Rights as set out in Section 7.9. This excludes 156,250 Capitol Shares that may be issued before the Scheme Record Date in connection with a historical acquisition. It is also assumed that no Options will be exercised before the Scheme Record Date and that there are no Ineligible Shareholders.

28. Includes: Yarra Capital Management Limited; Yarra Funds Management Limited; Yarra Capital Management Holdings Pty Ltd; Yarra Management Nominees Pty Ltd; AA Australia Finco Pty Ltd; TA SP Australia Topco Pty Ltd and TA Universal Investment Holdings Ltd.

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10.7 Imaging @ Olympic Park

Capitol currently holds 100% of the ordinary shares in IOP. Under the current IOP joint venture arrangements, a joint venture partner (**IOP JV Partner**) holds redeemable convertible shares (**B Class Shares**) and is entitled to a 25% share of distributed profits in IOP via its holding of B Class Shares in IOP. The IOP JV Partner is entitled to redeem their B Class Shares in April 2026, or if earlier, upon a change of control event as described in the IOP JV arrangements. The amount payable on a redemption is based on the financial performance of IOP. Implementation of the Scheme will trigger this change of control redemption right and, as a consequence, the IOP JV Partner would be entitled to redeem its B Class Shares in IOP on the Implementation Date.

In order to align the IOP JV Partner's interests with those of the Merged Group, Capitol has agreed to purchase the IOP JV Partner's B Class Shares in IOP, conditional on implementation of the Scheme, and the IOP JV Partner has agreed not to exercise its redemption right. The consideration payable by Capitol to the IOP JV Partner is based on the financial performance of IOP for FY24 and, as at the Last Practicable Date, IDX expects this completion payment to be approximately \$19.0 million.

Under the agreement relating to the purchase of the B Class Shares, IOP will also pay a pre-completion dividend of:

- (a) if completion of the acquisition of the B Class Shares occurs on or prior to 31 December 2024, 100% of IOP's retained NPAT as at 30 June 2024; or
- (b) if completion of the acquisition of the B Class Shares occurs after 31 December, 100% of IOP's retained NPAT as at 31 December 2024.

The amount of the pre-completion dividend payable by IOP to the IOP JV Partner is expected to be \$1.8 million.

Under the agreement for the purchase of the B Class Shares, the IOP JV Partner is entitled to additional payments based on the financial performance of IOP for the financial years up to and including the financial year ending 30 June 2028 (**Additional Payments**), subject to the continued employment of a radiologist associated with IOP JV Partner by the Merged Group. For the avoidance of doubt, the Additional Payments are in addition to the completion payment and will only be payable if the employment condition is met at the end of the relevant financial year.

10.8 Merged Group Pro Forma Historical Financial Information

10.8.1 This Section 10.8 contains the pro forma historical information of the Merged Group (together, the Merged Group Pro Forma Historical Financial Information) comprising the:

- (a) Merged Group pro forma historical income statement for FY24;
- (b) Merged Group pro forma historical statement of financial position as at 30 June 2024; and
- (c) Merged Group pro forma historical statement of cash flow for FY24.

The Merged Group Pro Forma Historical Financial Information has been reviewed by Ernst & Young Strategy and Transactions Limited (as Investigating Accountant), in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information, as stated in its Independent Limited Assurance Report, included in Annexure 2. Capitol Shareholders should note the scope and limitations of the Independent Limited Assurance Report.

10.8.2 The Merged Group Pro Forma Historical Financial Information should be read in conjunction with:

- (a) the accompanying notes to the Merged Group Pro Forma Historical Financial Information;
- (b) the historical financial information of IDX presented in Section 9.4;
- (c) the historical financial information of Capitol presented in Section 8.4;
- (d) the basis of preparation presented in Section 10.8.3; and
- (e) the risks presented in Section 11.

10. INFORMATION ON MERGED GROUP CONTINUED

10.8.3 Basis of preparation

The IDX Directors are responsible for the preparation and presentation of the Merged Group Pro Forma Historical Financial Information.

The Merged Group Pro Forma Historical Financial Information set out in this Section 10.8 has been prepared to give Capitol Shareholders an indication of the financial performance, financial position, and cash flows of the Merged Group as if the Scheme had been implemented from 1 July 2023 in respect of the financial performance and cashflows, and as at 30 June 2024 in respect of the financial position. It does not reflect the actual or prospective financial performance, financial position or cashflows of the Merged Group at the time of implementation of the Scheme. It has been prepared for illustrative purposes only for the purpose of this Scheme Booklet. The Merged Group Pro Forma Historical Financial Information has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Whilst the Merged Group is in a pro forma historical net current asset deficit position of \$69.6 million as at 30 June 2024, the Merged Group is expected to have sufficient operating cash flows and available debt facilities (through IDX's and Capitol's existing debt facilities) to pay its debts as and when they fall due for the next 12 months.

The Merged Group Pro Forma Historical Financial Information presented in this Section 10.8 is based on the:

- (a) historical financial information of IDX, as at and for the year ended 30 June 2024;
- (b) historical financial information of Capitol, as at and for the year ended 30 June 2024; and
- (c) the pro forma adjustments described in Section 10.8.8.

The historical financial information of IDX as at and for the year ended 30 June 2024 has been derived from its consolidated financial statements for FY24 which were audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. PricewaterhouseCoopers issued an unqualified audit opinion on these consolidated financial statements.

The historical financial information of Capitol as at and for the year ended 30 June 2024 has been derived from its consolidated financial statements for FY24 which were audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unqualified audit opinion on these consolidated financial statements.

The consolidated financial statements of Capitol for FY24 are available on Capitol's website (<https://www.capitolhealth.com.au>). The consolidated financial statements of IDX for FY24 are available on IDX's website (<https://integraldiagnostics.com.au>).

The Merged Group Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the recognition of certain items in periods different from the applicable period under AAS (ii) the exclusion of certain transactions that occurred in the relevant periods, and (iii) the impact of certain transactions as if they occurred on or before 30 June 2024.

The Merged Group Pro Forma Historical Financial Information has been prepared in a manner consistent with IDX's significant accounting policies described in its consolidated financial statements for FY24. In preparing the Merged Group Pro Forma Historical Financial Information, IDX has undertaken a review to identify significant accounting policy differences between IDX and Capitol where the impact is potentially material to the Merged Group and could be reliably estimated. No material differences have been identified by IDX. The information in the tables is presented in Australian currency and, unless otherwise noted, is rounded to the nearest \$1,000.

The Merged Group Pro Forma Historical Financial Information is presented in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act.

10.8.4 Basis of consolidation

(a) Preliminary purchase price accounting

IDX will be required to consolidate Capitol from the date upon which control passes. AASB 3 *Business Combinations* (AASB 3) allows the acquirer a period of 12 months from the acquisition date to finalise the identification and valuation process of all assets and liabilities and any resultant accounting adjustments. IDX has not finalised the identification and valuation of Capitol assets and liabilities, with finalisation to take place after implementation of the Scheme. For the purpose of preparing the Merged Group pro forma historical statement of financial position as at 30 June 2024, it has been assumed that the historical carrying value of assets and liabilities is equal to their fair value.

There is an accounting policy choice available in AASB 3 in relation to determining the measurement basis of non-controlling interests on acquisition. The acquirer can decide whether to recognise the non-controlling interests acquired at fair value or at the proportionate share of identifiable net assets. The pro forma adjustments to non-controlling interests assume a proportionate share of identifiable net assets approach is adopted in remeasuring the non-controlling interests associated with non-wholly owned subsidiaries on acquisition by IDX. The value of these estimated non-controlling interests will change when the purchase price accounting has been finalised.

In determining deferred tax balances for the purpose of preparing the Merged Group pro forma historical statement of financial position as at 30 June 2024, no resetting of the Merged Group's tax cost bases following the acquisition has been reflected.

As purchase price accounting has not been finalised, in relation to the above, this may result in adjustments to balances recognised. Any resulting adjustments will have an equal but opposite impact on the amount of goodwill recognised in the Merged Group pro forma historical statement of financial position as at 30 June 2024 and has not been reflected in the Merged Group pro forma historical income statement for FY24.

(b) Presentation

The Merged Group Pro Forma Historical Financial Information has been prepared on the basis that IDX is the acquiring entity for accounting purposes.

The pro forma adjustments on the Merged Group Pro Forma Historical Financial Information include:

- (i) the issue of 137,795,797 New IDX Shares to Capitol Shareholders, representing \$354.1 million (based on the IDX closing share price of \$2.57 as at the Last Practicable Date); and
- (ii) the impact of estimated transaction costs for IDX and Capitol in relation to the Scheme, and accelerated Capitol joint venture liability costs (see Section 10.2.3).

The following items have not been included as pro forma adjustments in the Merged Group Pro Forma Historical Financial Information:

- (i) the impact of \$10 million of anticipated annual pre-tax net cost synergies;
- (ii) the impact of any dividend payable by IDX or Capitol;
- (iii) the impact of the reset of tax bases on the Capitol entities joining the IDX tax consolidated group as part of the acquisition accounting;
- (iv) the impact of estimated one-off integration costs (see Section 10.2.3); and
- (v) IDX's refinancing of the existing debt facilities of IDX and Capitol that may occur on or after implementation of the Scheme (see Section 10.4.7).

It is likely that the actual financial performance, financial position, and cash flows in future periods will differ from the Merged Group Pro Forma Historical Financial Information presented in this Section 10.8. The factors which will impact the actual performance, financial position or cash flows of the Merged Group include but are not limited to:

- (i) trading of IDX and Capitol after 30 June 2024 which is not reflected in the pro forma adjustments;
- (ii) the ultimate timing of implementation of the Scheme to combine Capitol and IDX;
- (iii) the difference between the estimated value of transaction costs and the amount ultimately incurred;
- (iv) the finalisation of the acquisition accounting, including determining the appropriate purchase price accounting adjustments, including the value of the assets and liabilities acquired in accordance with the relevant accounting standards;
- (v) the fluctuations in market interest rates and the related impact on interest expense;
- (vi) the timing and realisation of synergies (and associated costs) arising from the combination of Capitol and IDX (see Section 10.2); and
- (vii) the actual value of IDX Shares on the Implementation Date which will change the value of goodwill to be recognised on acquisition.

10. INFORMATION ON MERGED GROUP CONTINUED

10.8.5 Merged Group pro forma historical income statement

This table outlines the Merged Group pro forma historical income statement for FY24 as though the Scheme was implemented prior to 1 July 2023.

\$'000s	NOTE	CAPITOL HISTORICAL	IDX HISTORICAL	PRO FORMA ADJUSTMENTS	MERGED GROUP PRO FORMA HISTORICAL
Revenue		234,816	469,697	–	704,513
Interest and other income		–	861	–	861
Total revenue and other income		234,816	470,558	–	705,374
Expenses					
Consumables		(7,837)	(22,920)	–	(30,756)
Employee benefits expense		(147,897)	(294,289)	–	(442,186)
Depreciation		(12,394)	(27,888)	–	(40,283)
Amortisation expense		(14,668)	(18,974)	–	(33,642)
Transaction and integration costs	(a)	(2,802)	(2,918)	2,237	(3,483)
Share based payment expense		(282)	(1,589)	–	(1,871)
Equipment related expenses		(6,401)	(15,819)	–	(22,220)
Occupancy expenses		(6,572)	(9,926)	–	(16,497)
Technology expenses		(8,255)	(15,421)	–	(23,676)
Other general expenses		(8,289)	(20,703)	–	(28,992)
Fair value movements	(a)	(21,227)	–	20,482	(745)
Impairment expense		(2,261)	(74,639)	–	(76,901)
Finance costs		(7,435)	(22,547)	–	(29,982)
Share of net profits of joint ventures accounted using the equity method		–	(60)	–	(60)
Total expenses		(246,319)	(527,693)	22,718	(751,294)
Profit/(loss) before income tax expense		(11,503)	(57,135)	22,718	(45,920)
Income tax expense	(a)	(3,258)	(3,564)	(671)	(7,494)
Profit/(loss) for the year from continuing operations		(14,761)	(60,699)	22,047	(53,413)

10.8.6 Merged Group pro forma historical statement of financial position

This table outlines the Merged Group pro forma historical statement of financial position as at 30 June 2024, as though the Scheme was implemented on 30 June 2024.

\$'000s	NOTE	CAPITOL HISTORICAL	IDX HISTORICAL	PRO FORMA ADJUSTMENTS	MERGED GROUP PRO FORMA HISTORICAL
Current Assets					
Cash and cash equivalents ²⁹	(b)	24,050	42,438	(41,687)	24,801
Trade and other receivables		5,147	24,491	–	29,638
Income tax payable		–	328	–	328
Other assets		2,189	5,912	–	8,101
Inventory		–	1,651	–	1,651
Total current assets		31,386	74,820	(41,687)	64,520³⁰
Non-current assets					
Property, plant and equipment		60,697	148,734	–	209,431
Right of use assets		54,273	121,648	–	175,921
Intangibles	(c)	172,991	399,069	243,225	815,285
Deferred tax asset		–	–	–	–
Investments accounted for using the equity method		–	5	–	5
Intercompany Receivable		137	–	–	137
Total non-current assets		288,098	669,456	243,225	1,200,779
Total assets		319,484	744,276	201,538	1,265,299
Current Liabilities					
Trade and other payables	(d)	22,718	32,823	(1,241)	54,300
Borrowings		–	2,210	–	2,210
Current tax liabilities		2,045	–	–	2,045
Lease liabilities		11,223	13,960	–	25,183
Contingent consideration		–	9,189	–	9,189
Provisions		11,869	27,501	–	39,370
Other financial liabilities	(e)	22,986	–	(21,179)	1,807 ³¹
Total current liabilities		70,841	85,683	(22,421)	134,104³⁰
Non-current liabilities					
Contingent consideration		–	673	–	673
Borrowings		82,800	219,756	–	302,556
Lease liabilities		49,939	121,871	–	171,810
Deferred tax liability		987	3,834	–	4,821
Intercompany payables		276	–	–	276
Provisions		3,977	10,752	–	14,729
Total non-current liabilities		137,980	356,886	–	494,867
Total liabilities		208,821	442,569	(22,421)	628,971
Net assets		110,663	301,707	223,959	636,328
Equity					
Contributed capital	(f)	161,138	335,001	192,997	689,137
Reserves	(g)	4,777	(8,329)	(4,777)	(8,329)
Retained profits	(h)	(55,005)	(24,965)	35,738	(44,231)
Non-controlling interests		(247)	–	–	(247)
Total equity		110,663	301,707	223,959	636,328

29. The Merged Group is assumed to have sufficient taxable income such that it would receive a cash tax benefit for tax deductible transaction costs.

30. See Section 10.8.3 for details on going concern basis of preparation.

31. The residual "Other financial liabilities" of \$1.8 million reflects a pre-completion dividend payable by IOP to the IOP JV Partner. See Section 10.7.

10. INFORMATION ON MERGED GROUP CONTINUED

10.8.7 Merged Group pro forma historical statement of cash flows

This table outlines the Merged Group pro forma historical statement of cash flow for FY24 as though the Scheme was implemented prior to 1 July 2023.

\$'000s	NOTES	CAPITOL HISTORICAL	IDX HISTORICAL	PRO FORMA ADJUSTMENTS	MERGED GROUP PRO FORMA HISTORICAL
Cash flows from operating activities					
Receipts from customers		235,575	465,880	–	701,455
Payments to suppliers and employees		(186,424)	(378,077)	–	(564,501)
Transaction and integration costs relating to acquisition of subsidiaries	(i)	(2,802)	(2,102)	324	(4,580)
Interest and other finance costs paid		(7,382)	(22,115)	–	(29,497)
Interest received		474	861	–	1,335
Income taxes paid		(3,219)	1,712	–	(1,507)
Net cash from operating activities		36,222	66,159	324	102,705
Cash flows from investing activities					
Payments for purchase of subsidiary, net of cash acquired		(871)	–	–	(871)
Payments in settlement of contingent consideration		–	(4,025)	–	(4,025)
Payments for property, plant and equipment		(18,990)	(23,878)	–	(42,868)
Proceeds on sale of investment		1,318	–	–	1,318
Net cash used in investing activities		(18,543)	(27,903)	–	(46,446)
Cash flows from financing activities					
Proceeds from issue of share capital		518	1,721	–	2,239
Proceeds from borrowings drawn		10,000	–	–	10,000
Repayment of borrowings		–	(2,424)	–	(2,424)
Repayment of the principal element of lease liabilities		(12,447)	(14,929)	–	(27,376)
Dividends paid to Company shareholders		(10,818)	(13,822)	–	(24,640)
Net cash used in financing activities		(12,747)	(29,454)	–	(42,201)
Net increase in cash and cash equivalents		4,932	8,802	324	14,058
Cash and cash equivalents at the beginning of the financial year		19,118	33,855	–	52,973
Effects of exchange rate changes on cash and cash equivalents		–	(219)	–	(219)
Cash and cash equivalents at the end of the financial year		24,050	42,438	324	66,812

10.8.8 Notes to the Merged Group Pro Forma Historical Financial Information

- (a) The Merged Group pro forma historical income statement for FY24 has been adjusted to exclude a cumulative \$2.2 million of transaction costs related to the Scheme that has been incurred by IDX and Capitol in FY24 and a \$20.5 million fair value movement (related to the accelerated joint venture liability costs for Imaging @ Olympic Park and another Capitol joint venture) incurred by Capitol in FY24. The \$20.5 million fair value movement reflects the remeasurement of the joint venture liabilities recognised in the historical statement of financial position of Capitol as at 30 June 2024 (see note (e) below for further detail). The fair value movement is non-tax assessable. The cumulative post-tax impact of these items is \$22.0 million. Of these adjustments, only the post-tax impact from excluding the transaction costs is reflected in the retained profits line within the Merged Group pro forma historical statement of financial position as at 30 June 2024. Refer to the following notes for more detail.

(b) The Merged Group pro forma historical statement of financial position as at 30 June 2024 has been adjusted to reflect a net decrease in cash of \$41.7 million resulting from:

- (i) total estimated post-tax transaction costs related to the Scheme of \$20.8 million; offset by
- (ii) \$0.3 million of post-tax transaction costs already paid by IDX and Capitol in FY24. Note an additional \$1.2 million of post-tax transaction costs was recognised in the Merged Group pro forma historical income statement for FY24, but were not paid (refer to note (d) below); and
- (iii) the impact of the accelerated Capitol joint venture liability costs of \$21.2 million.

For the avoidance of doubt, one-off post-tax integration costs estimated to be \$8.8 million have not been adjusted for in the Merged Group pro forma historical statement of financial position as at 30 June 2024. The total of all these post-tax transaction, integration and accelerated Capitol joint venture liability costs is expected to be \$50.8 million.

(c) The Merged Group pro forma historical statement of financial position as at 30 June 2024 has been adjusted to reflect an increase in goodwill of \$243.2 million resulting from:

- (i) Scheme Consideration representing \$354.1 million; less
- (ii) \$110.9 million of Capitol's net assets acquired (excluding non-controlling interests³²), assumed to be at fair value, reflected in the elimination of Capitol's total equity (excluding non-controlling interests) on consolidation.

(d) The Merged Group pro forma historical statement of financial position as at 30 June 2024 has been adjusted to reflect a net decrease in trade and other payables of \$1.2 million resulting from:

- (i) \$1.2 million of transaction costs that were incurred by Capitol and IDX in FY24, but were not paid until after 30 June 2024.

(e) The Merged Group pro forma historical statement of financial position as at 30 June 2024 has been adjusted to reflect a decrease in other financial liabilities resulting from:

- (i) \$21.2 million decrease in Capitol's other financial liabilities related to the impact of the accelerated Capitol joint venture liability costs.³³ See Section 10.2.3 for further details.

(f) The Merged Group pro forma historical statement of financial position as at 30 June 2024 has been adjusted to reflect an increase in contributed capital of \$193.0 million resulting from:

- (i) \$354.1 million of shares issued to Scheme Shareholders in respect of the Scheme; less
- (ii) \$161.1 million of Capitol's contributed capital eliminated on consolidation.

(g) The Merged Group pro forma historical statement of financial position as at 30 June 2024 has been adjusted to reflect a decrease in reserves of \$4.8 million resulting from:

- (i) \$4.8 million elimination of Capitol's reserves on consolidation.

(h) The Merged Group pro forma historical statement of financial position as at 30 June 2024 has been adjusted to reflect an increase in retained profits of \$35.7 million resulting from:

- (i) \$55.0 million elimination of Capitol's accumulated losses on consolidation; and
- (ii) a decrease of \$19.3 million in retained earnings relating to the estimated total transaction costs to be incurred by Capitol and IDX from 30 June 2024 onwards.

(i) The Merged Group pro forma historical statement of cash flow for FY24 has been adjusted to reflect a \$0.3 million increase in net cash from operating activities resulting from:

- (i) the reversal of the cash impact of \$0.3 million post-tax transaction costs (of the total \$1.6 million post-tax transaction costs incurred by IDX and Capitol in relation to the Scheme), that were paid in cash before 30 June 2024. Refer to notes (b) and (d) for further detail.

32. The Merged Group pro forma adjustments to non-controlling interests assume a proportionate share of identifiable net assets approach is adopted in remeasuring the non-controlling interests associated with non-wholly owned Subsidiaries on acquisition by IDX. The value of these estimated non-controlling interests will change when the purchase price accounting has been finalised.

33. The residual "Other financial liabilities" of \$1.8 million reflects a pre-completion dividend payable by IOP to the IOP JV Partner. See Section 10.7.

10. INFORMATION ON MERGED GROUP CONTINUED

10.8.9 Non-IFRS financial measures

The Merged Group will use certain measures to manage and report on its businesses that are not recognised under AAS or IFRS. These measures are collectively referred to in Section 10 of this Scheme Booklet as non-IFRS financial measures pursuant to ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information'. Management of the Merged Group will use these non-IFRS financial measures to evaluate the performance and profitability of the overall Merged Group business.

As disclosed in Capitol's and IDX's Annual Report for FY24, the following non-IFRS measures are used as follows: (1) Operating EBITDA is determined as profit or loss before depreciation and amortisation, net finance costs, income tax and prior to significant non-operating items including changes in fair value of financial assets and liabilities, impairment of non-current assets, transaction and restructuring costs, and unrealised foreign exchange gain/(loss); and (2) Operating NPAT is calculated as statutory net profit or loss after tax, after excluding tax effected non-operating items.

\$'000s	CAPITOL HISTORICAL	IDX HISTORICAL	MERGED GROUP PRO FORMA HISTORICAL ³⁴
Statutory historical NPAT	(14,761)	(60,699)	(75,460)
Remeasurement of contingent consideration liabilities	20,654	(1,337)	
Tax on significant items	(553)	–	
Unrealised foreign exchange loss/(loss)	60	–	
Transaction, restructuring and integration costs	2,802	3,393	
Share based payment expenses	–	999	
Share of net profit of joint ventures	–	60	
Amortisation of customer contracts	–	1,057	
Impairment expense	2,833	74,639	
Operating NPAT	11,035³⁵	18,112	29,148
(+) Finance costs	7,375	22,547	29,922
(-) Other income	–	(861)	(861)
(+) Income tax expense	3,811	6,297	10,108
(+) Depreciation	14,912	27,888	42,800
(+) Amortisation of right of use assets	12,150	17,485	29,635
Operating EBITDA	49,283	91,468	140,752

34. Totals for the Merged Group adjustments between statutory historical NPAT and Operating NPAT have not been presented as Capitol and IDX adjustments are presented on a pre-tax and post-tax basis respectively, however, the impact of these differences does not impact Operating NPAT. The pro forma adjustments included in the Merged Group pro forma historical income statement for FY24 as outlined in note (a) of Section 10.8.8 sit within the 'Transaction, restructuring and integration costs' and 'Remeasure of contingent consideration liabilities' adjustments in the table above.

35. In Section 8.4.5, Capitol refers to this line item as Underlying NPAT.

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SECTION 11
RISKS

11. RISKS

11.1 Introduction

The Scheme presents a number of potential risks that Capitol Shareholders should consider when deciding how to vote on the Scheme.

If the Scheme is implemented, Capitol Shareholders that hold Capitol Shares on the Scheme Record Date (other than Ineligible Shareholders) will receive New IDX Shares. The value of the Scheme Consideration to Capitol Shareholders will depend on the price at which IDX Shares trade on ASX after the Implementation Date.

In addition, upon the Scheme being implemented, the Capitol business will be owned by IDX (forming the Merged Group), and Capitol Shareholders will become IDX Shareholders. As a result, Capitol Shareholders will continue to be exposed to the risks associated with having an interest in Capitol and will additionally be exposed to the risks associated with an interest in IDX.

There are many risk factors that could adversely affect the Merged Group's business, operations, financial performance, cash flows and prospects which will consequently affect the price of IDX Shares.

This Section 11 outlines some of the key, but not all, risk factors relating to:

- (a) the Scheme (Section 11.2);
- (b) the creation of the Merged Group (Section 11.3);
- (c) the business and operations of the Merged Group (Section 11.4); and
- (d) Capitol if the Scheme does not proceed (Section 11.5).

The outline of risks in this Section 11 is a summary only and should not be considered exhaustive. This Section 11 does not purport to list every risk that may be associated with an investment in Capitol now or in the future or which may impact the operations of the Merged Group. Additional risks, and uncertainties, not currently known to Capitol or IDX may also have an adverse impact on the Merged Group.

The occurrence or consequences of some of the risks described in this Section 11 may be partially or completely outside of the control of Capitol and IDX or their respective directors and senior management teams.

Capitol Shareholders should carefully consider the following risks as well as the other information contained in this Scheme Booklet before voting on the Scheme. This Section 11 does not take into account the investment objectives, financial situation, taxation position or particular needs of individual Capitol Shareholders.

11.2 Risks relating to the Scheme

11.2.1 Conditions

Implementation of the Scheme is subject to a number of Conditions (a summary of which is set out in Section 13.4.1) including approval by the Requisite Majorities, Court approval, informal merger clearance from the ACCC, that no IDX Prescribed Occurrence or Capitol Prescribed Occurrence occurs, and other customary conditions.

There can be no certainty, nor can Capitol or IDX provide any assurance, that these Conditions will be satisfied or waived (where capable of being waived), or if satisfied or waived (where capable of being waived) when that will occur.

There is a risk that the Scheme may not be approved by the Requisite Majorities and/or approved by the Court. If the Scheme is not approved, the Scheme will not proceed and Capitol Shareholders will continue to hold their Capitol Shares and continue to be exposed to risk factors associated with a shareholding in Capitol. Many of the risk factors described as applicable to the Merged Group in Section 11.4 will also apply to a continuing investment in Capitol as a stand-alone entity. It may also adversely affect the future market price of Capitol Shares.

See Section 11.5 for information on specific consequences for Capitol Shareholders if the Scheme does not proceed.

11.2.2 Market value of the Scheme Consideration

If the Scheme is implemented, Scheme Shareholders (other than Ineligible Shareholders) will receive 0.12849 New IDX Shares for each Capitol Share they hold as at the Scheme Record Date. Ineligible Shareholders will not be entitled to receive any New IDX Shares and will instead receive either:

- (a) If a Sale Agent is appointed under the process set out in Section 7.5.1, the Net Proceeds of the sale by the Sale Agent of any New IDX Shares that they would have otherwise been entitled to receive under the Scheme; or
- (b) if they are an Unmarketable Parcel Shareholder and no Sale Agent is appointed under the process set out in Section 7.5.1, a cash amount equal to the 'market value' (being the volume weighted average price of IDX Shares traded on ASX during the 5 trading days before the Implementation Date) of the New IDX Shares that they would have otherwise been entitled to receive under the Scheme.

Based on the \$2.57 closing price of IDX Shares on the Last Practicable Date, the Scheme Consideration represents implied value of \$0.330 per Capitol Share.

The implied value of the Scheme Consideration that would be realised by individual Capitol Shareholders will depend on the price at which IDX Shares trade on ASX after the Implementation Date and is not fixed. The Scheme Consideration was agreed in the MID and will not be adjusted to reflect changes in the market price of Capitol Shares or IDX Shares after that time.

Further, for Ineligible Shareholders, there is no guarantee as to the price at which either the New IDX Shares may be sold by the Sale Agent (or the timing of any sale), or the price at which IDX Shares trade during the period in which the 'market value' is calculated, as described in Section 7.5.

Following implementation of the Scheme, the price of any New IDX Shares received will continue to rise and fall based on market conditions and the Merged Group's financial and operating performance.

In addition, some Capitol Shareholders may not intend to continue to hold the IDX Shares received under the Scheme and may wish to sell them on ASX soon after the Implementation Date. There is a risk that such sales may exert downward pressure on the price of IDX Shares in the short term.

In any event, there is no guarantee regarding the market price of the IDX Shares. Future market prices may either be above or below current or historical market prices. Information about the current trading prices of IDX Shares may be obtained from the ASX website (www.asx.com.au).

11.2.3 The MID may be terminated in certain circumstances

Each of Capitol and IDX has the right to terminate the MID in certain circumstances as set out in Section 13.4. Accordingly, there is no certainty that the MID will not be terminated by either Capitol or IDX before the implementation of the Scheme.

If the MID is terminated, there is no assurance that the Capitol Board will be able to find a party willing to pay an equivalent or greater price for Capitol Shares than the price to be paid pursuant to the terms of the MID. This may adversely affect the future market price of Capitol Shares.

See Section 11.5 for information on specific consequences for Capitol Shareholders if the Scheme does not proceed.

11.2.4 Tax consequences for Scheme Shareholders

Upon Implementation of the Scheme, there will be tax consequences for Scheme Shareholders. These implications will differ based on several factors, such as the tax residency and tax profile of the Capitol Shareholders. Section 12 provides an overview of the expected consequences related to Australian income tax, stamp duty, and GST for Australian tax resident Scheme Shareholders. It is recommended that Capitol Shareholders consult with independent tax professionals to understand the specific tax outcomes relevant to their individual circumstances.

11. RISKS CONTINUED

11.2.5 Potential liabilities

The Scheme and integration of Capitol and IDX may pose special risks including write-offs or restructuring charges, unanticipated costs, and the loss of key employees. There can be no assurance that the integration will be accomplished effectively or in a timely manner. The Scheme and the integration of Capitol will subject IDX to liabilities (including potential tax liabilities) that may exist at Capitol or arise in connection with the completion of the Scheme, some of which may be unknown. In addition, the Scheme and the issue of the Scheme Consideration will expose Capitol Shareholders to liabilities (including potential tax liabilities) that may exist at IDX, some of which may be unknown. Although IDX and its advisers have conducted due diligence on the operations of Capitol, and Capitol and its advisers have conducted due diligence on IDX, and both Capitol and IDX have taken all reasonable steps to ensure they are aware of and have taken into account all material historic liabilities, there can be no guarantee that all liabilities of Capitol and IDX (as the case may be) have been identified. These liabilities, and any additional risks and uncertainties related to the Scheme and integration not currently known or that may currently be deemed immaterial or unlikely to occur, could negatively impact the Merged Group's business, financial position, cash flows and operations.

11.3 Specific risks relating to the creation of the Merged Group

11.3.1 Change in risk and investment profile

Whilst the operations and risk profiles of Capitol and IDX are similar in nature, and consequently many of the risks that are currently relevant to Capitol as a stand-alone entity will continue to be relevant to the Merged Group, there are certain risks that are specifically related to IDX and are not currently relevant to Capitol, including risks arising from IDX's operations in New Zealand (see, for instance, Sections 11.4.1(b) and 11.4.4) and IDX's exposure to hospital contracts (see 11.4.2 Section).

On and from the Implementation Date, Capitol Shareholders who receive IDX Shares under the Scheme will be exposed to these additional risks as shareholders in the Merged Group.

11.3.2 Integration risk and realisation of synergies

There is a risk that the integration of Capitol and IDX into the Merged Group may encounter unexpected challenges or issues, including that any integration could take longer or cost more than anticipated, or that the extraction of potential benefits and synergies of the combination of Capitol and IDX may be less than expected. There is a risk that the Merged Group's success and profitability could be adversely affected if Capitol's business is not integrated effectively into IDX. Any failure to achieve expected potential synergies may also impact the financial performance and position of the Merged Group and the future price of IDX Shares.

Possible problems may include:

- (a) disruption to the ongoing operations of both businesses;
- (b) higher than anticipated integration costs;
- (c) unforeseen costs relating to integration of IT platforms (RIS, PACS and other IT platforms);
- (d) unintended loss of key personnel, radiologists, or reduced employee productivity due to uncertainty arising as a result of the Scheme; and
- (e) unforeseen costs or disruption as a result of the transition of Capitol into a Subsidiary of IDX.

Other potential difficulties that may be encountered during the integration process include:

- (a) challenges and difficulties associated with managing the larger, more complex Merged Group;
- (b) conforming standards, controls, procedures and policies, and compensation structures between the companies;
- (c) consolidating corporate and administrative infrastructures;
- (d) addressing possible differences in business backgrounds, corporate cultures and management styles;
- (e) performance shortfalls at one or both of the companies as a result of the diversion of management's attention caused by implementing the Scheme and integration; and
- (f) the ability for the Merged Group to deliver on its strategy.

11.3.3 Transaction, integration and accelerated Capitol joint venture liability costs may vary

If the Scheme is implemented, there is expected to be total post-tax one-off costs of approximately \$50.8 million. Included in this figure are transaction costs for IDX and Capitol, one-off costs required to integrate the two businesses and realise synergies and costs relating to the acceleration of payments under certain of Capitol's joint venture arrangements, as set out in Section 10.2.3. This amount does not distinguish between amounts which may have already been paid by either Capitol or IDX prior to the Implementation Date. There is a risk that the estimated transaction, integration and joint venture costs may be higher than those currently expected to be incurred.

11.3.4 Consents

Some contracts to which Capitol is a party may contain 'change of control' provisions (or equivalent) that could be triggered by implementation of the Scheme, allowing the counterparty to renegotiate or in some circumstances terminate the contract. While Capitol and IDX will endeavour to obtain any such necessary consents or waivers, and are not aware of any reason why they would not be successful in obtaining such consents or waivers, no assurance can be given that these will be obtained, including in a timely manner or on terms that are not adverse to the Merged Group.

11.4 General risks relating to the business and operations of the Merged Group

11.4.1 The Merged Group will operate in a heavily regulated industry

The diagnostic imaging industries in which the Merged Group will operate are subject to laws, government policies and regulations relating to, amongst other things, the conduct of operations, rebate arrangements, the licensing, registration and accreditation of facilities and equipment and the addition and development of new facilities and equipment. Possible legal, policy and regulatory changes that could have a material adverse impact on the Merged Group include changes to:

- (a) the Medicare regime as it relates to the diagnostic imaging industry in Australia, including adverse changes to:
 - (i) the indexation (or non-indexation) by the Commonwealth Government of the Medicare Benefits Schedule (**MBS**) fees and overall level of rebates, including a failure to increase rebates available to patients in line with increasing costs of providing diagnostic imaging services or the reduction or capping of rebates. Because the MBS 'schedule fee' also forms the basis for setting the minimum private health insurance benefit for inpatient diagnostic imaging services, and is often used as an input into the pricing of public patient outsourcing work (i.e. price is set as a percentage of the schedule fee, notwithstanding that Medicare rebates are not applicable for public inpatients), the indexation (or non-indexation) of MBS fees may impact all revenue sources for diagnostic imaging businesses;
 - (ii) the criteria that need to be met by diagnostic imaging providers in relation to facilities, practitioners and equipment in order to qualify for, and determine the level of, patient rebates available for diagnostic imaging services;
 - (iii) bulk-billing (where a provider accepts the benefit payable under the MBS as full payment for a service, and bills the Commonwealth Government directly, as opposed to charging the patient) and co-payment arrangements (where patients pay part of the cost of the diagnostic imaging service directly to the service provider); and
 - (iv) rebate eligibility criteria for particular diagnostic imaging services;
- (b) the funding regime for diagnostic imaging procedures in New Zealand, including adverse changes to, or limiting growth of, pricing for diagnostic imaging procedures set under the Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations;
- (c) the nature and extent of the accreditation, registration and licensing regimes relating to diagnostic imaging;
- (d) equipment eligibility criteria, known as 'capital sensitivity', which govern whether Medicare rebates are available in respect of diagnostic imaging services provided from the Merged Group's equipment;
- (e) regulations relating to private health insurance;
- (f) regulations relating to the terms on which employees and contractors are engaged and their health and safety in the workplace; and
- (g) privacy, confidentiality and medical records legislation.

Changes to these laws, policies and regulations (or any others that apply to the Merged Group) in any of the jurisdictions in which the Merged Group will operate may have a material adverse effect on the Merged Group's business, financial position, cash flows and prospects, as well as reduce demand for its services. Further, regulatory requirements in any of the jurisdictions in which the Merged Group will operate may become more burdensome in the future, which may result in the Merged Group being required to dedicate more time, resources, and expenditure to ensure compliance.

11. RISKS CONTINUED

If the Merged Group operations are found to violate any applicable laws or regulations, or if the Merged Group's Medicare billings are found to be inaccurate or inappropriate, the Merged Group may be subject to penalties, damages, fines, repayment obligations and disruption to its operations. The reputation of the Merged Group may also be adversely affected. Any penalties, damages, fines, repayment obligations, operational disruptions, increased compliance costs or damage to reputation, individually or together, could adversely affect the Merged Group's ability to operate its business, and its financial position, cash flows and results. Furthermore, funding agreements, agreements with hospital counterparties and provider agreements with private health insurers could include rights for those parties to terminate the agreement due to loss of accreditation, registration or licence, or other adverse legal or regulatory findings. Where this is the case, there may be flow-on adverse effects that could affect the Merged Group's businesses.

The Federal Government has recently announced the phased removal of funding eligibility arrangements for MRI services. Commencing 1 July 2025, any practice location that holds a current license (full or partial) will receive a 'practice-based' license that provides full Medicare Eligibility to all MRI equipment located at the practice. From 1 July 2027, all comprehensive diagnostic imaging practices will have their ineligible MRI machine upgraded to access all Medicare funded MRI services, at which point all MRI licensing requirements will cease. This may impact the competitive dynamics in certain local markets where holding a 'funded' MRI machine is currently an advantage. Consequently, the relative attractiveness of Merged Group clinics compared to competitor clinics could be impacted, although the impact — whether positive or negative — remains uncertain and difficult to predict).

11.4.2 Service agreements, service level agreements and related leases may be breached, terminated or not renewed

The Merged Group will be party to contracts to provide diagnostic imaging services to public and private hospitals and clinics under service agreements and private hospitals under service level agreements, and associated leases for premises at certain hospitals and clinics. These agreements set out the term and renewal, termination, change of control, exclusivity (if applicable), pricing, service delivery obligations, liability and indemnity arrangements between the Merged Group and its hospital customers. Service agreements and service level agreements are currently a key feature of IDX's standalone business and are responsible for a significant proportion of IDX's revenue.

If breach of a service agreement or service level agreement occurs, including a failure to deliver diagnostic imaging services to the specified standard, the Merged Group may be liable for damages under the relevant agreement and in certain cases the counterparty may be entitled to terminate the agreement. Service agreements and service level agreements may also not be renewed for a number of reasons, including performance below required service levels, adverse publicity or increased competition, or they may be renewed on terms less favourable than those currently enjoyed.

Furthermore, in the public hospital system, the appetite of state governments to 'outsource' diagnostic imaging services may be affected by a number of factors including perceptions of relative efficiency and changes in government policy. Private operators may also reconsider how they provide diagnostic imaging services, potentially shifting from bilateral service agreements to partnerships, joint ventures or other commercial arrangements with diagnostic imaging providers, which could be less favourable than current terms. In addition, the private hospital sector is currently facing challenging performance conditions and may seek to streamline its relationships with commercial counterparties, including diagnostics providers. Some private hospitals may close or scale back their operations. Such developments may result in public or private hospital contracts not being renewed, or the Merged Group choosing not to renew those contracts or enter into alternative commercial arrangements, without any contributing factors within the Merged Group's control.

In circumstances where a service agreement or service level agreement is connected, or interdependent, with a related property lease, the term of the lease generally coincides with the term of the relevant agreement. Accordingly, in the event that a material breach occurs in respect of a property lease, there is a risk that the breach (or subsequent termination by the landlord) may give the hospital termination rights under the relevant service agreement or service level agreement. The renewal of certain hospital leases is also conditional on obtaining consent from a relevant state government entity, which may include the relevant state minister. There is a risk that a requisite government consent could be delayed, or not obtained, which could potentially result in the non-renewal or termination of a material property lease.

Any breach, termination, non-renewal or renewal on less favourable terms of a service agreement or service level agreement, or any related property lease, could materially adversely affect the Merged Group's financial position and prospects.

11.4.3 The Merged Group may be unable to recruit and retain radiologists, technical professionals and key management personnel or the Merged Group's relationship with these professionals may deteriorate

The Merged Group will rely on radiologists to provide the core medical services associated with diagnostic imaging. Failure to recruit and retain a sufficient number of radiologists could hinder the Merged Group's ability to achieve its growth projections or maintain its market share, which could adversely impact the Merged Group's revenue generation and profitability. Radiologists may also terminate their relationships with the Merged Group, which in certain circumstances could result in increased competition from individuals familiar with the Merged Group's business strategies and operations. Competition to recruit radiologists (especially in regional areas) may make it difficult for the Merged Group to maintain adequate levels of radiologists without a significant increase in labour costs. In addition, radiologists may seek to re-negotiate their terms of employment with the Merged Group or the voluntary escrow terms of their IDX Shares, which could adversely impact the Merged Group's operations, financial position, cash flows and future prospects.

The Merged Group's success also depends on its continuing ability to recruit and retain other technical professionals, such as radiographers, sonographers and nuclear medicine technologists, as well as experienced and high-performing key management and operating personnel. In the event that the Merged Group is not able to hire and retain a sufficient number of skilled employees, or to do so at anticipated or acceptable salary levels, this could have a negative impact on the Merged Group's operations, financial position, cash flows and future prospects.

Furthermore, the Merged Group's relationship with its radiologists and technical professionals could deteriorate for various reasons, including actual or perceived clinical differences between the Merged Group and its radiologists and technical professionals, changes to workplace conditions, reputational damage, labour market changes and any actual or perceived failure by the Merged Group to acquire and maintain the latest equipment and technology platforms. Such circumstances could lead to reputational damage, loss of key personnel, increased labour costs and the inability to perform the anticipated number of diagnostic imaging services, which may adversely impact the Merged Group's operations and financial performance.

11.4.4 The Merged Group's relationship with referrers may deteriorate

In most circumstances, a referrer (being a medical professional, such as a specialist or general practitioner) 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 Merged Group will therefore depend on referrals of patients from unaffiliated referrers, who have no contractual obligations or incentives to refer patients to the Merged Group, for a substantial portion of its revenue. Accordingly, relationships with referrers, hospital groups and other parties are important to the Merged Group's businesses. If a sufficiently large number of referrers were to discontinue, or there is a lack of growth in new referrers, referring patients to the Merged Group's radiologists or other specialists, the volume of diagnostic imaging services that the Merged Group undertakes could decrease or grow at a slower rate than anticipated, which could adversely affect the Merged Group's business, financial position, cash flows and prospects.

As a related point, there is also a risk that changing trends in the radiology market in both Australia and New Zealand, e.g. the emergence of specialist groups such as cardiology and orthopaedics purchasing their own diagnostics equipment, or new market entrants, will have a negative impact on market share and revenue.

11.4.5 The Merged Group's competitive position may deteriorate

The market for diagnostic imaging services is highly competitive. The Merged Group will compete for patients across a range of factors, including on the basis of its reputation, its ability to provide multiple modalities at its facilities, the location of its facilities, the quality of its services, the skill and experience of its radiologists and by continuing to offer attractive service quality and pricing to customers. The Merged Group will compete locally with radiologist groups, hospitals, clinics and independent organisations that own and operate diagnostic imaging equipment. Additionally, new competitors including non-traditional providers such as cardiology and orthopaedic specialists and dental groups are entering the market. Some of the Merged Group's competitors may now or in the future have access to greater financial resources and access to newer, more advanced equipment. If the Merged Group is unable to successfully compete, its business, financial position, cash flows and prospects may be adversely affected.

11.4.6 The Merged Group may face industrial relations and wage pressure

The Merged Group's employees will be covered by enterprise bargaining agreements, other workplace agreements and employment contracts, which periodically require negotiation and renewal. Disputes may arise in the course of negotiations which may lead to disruptions to the Merged Group's operations. Further, any negotiation could result in increased direct and indirect labour costs for the Merged Group. Any workforce disruption or increase in direct or indirect labour costs incurred by the Merged Group may result in actual labour costs being higher than the Merged Group has budgeted for, which could lead to reduced profitability. Any industrial action may cause damage to the Merged Group's reputation.

11. RISKS CONTINUED

11.4.7 The Merged Group may face employee classification risk

The Merged Group will have employees and independent contractors. There is a risk that some of these contractors would be more appropriately classified as employees at law. Incorrectly characterising an individual as a contractor rather than an employee may expose the party contracting for services to claims regarding:

- (a) unpaid wages and entitlements under the *Fair Work Act 2009* (Cth) (**FW Act**) or applicable industrial instruments;
- (b) remedies for unfair dismissal or contraventions of civil penalty provisions of the FW Act;
- (c) entitlements to long service leave; and
- (d) penalties for failure to meet taxation and superannuation obligations.

Any fine, penalty or claim against the Merged Group in respect of employee classification risks adversely affecting the Merged Group's reputation and/or its financial performance.

11.4.8 The Merged Group's information technology systems may be impacted by cyber security incidents or may otherwise fail

The Merged Group will rely on its information technology systems to perform key functions critical to its ability to operate equipment, store and transmit images and schedule and invoice patients, including systems provided by third party technology vendors. The Merged Group's information technology systems (including those provided by third party technology vendors) may be vulnerable to service interruptions, degradation, damage or interruption from a number of sources, including natural disasters, power losses, computer systems failures, hardware and software defects or malfunctions (including in artificial intelligence algorithms), hardware and software updates, failures in its supply chain, distributed denial-of-service, internet and telecommunications or data network failures, operator negligence, improper operation by or supervision of employees, physical and electronic losses of data and similar events, computer viruses, other malware or other cyber-attacks, penetration by hackers seeking to disrupt operations or misappropriate information, break-ins, sabotage, intentional acts of vandalism and other breaches of security.

Any damage or interruption to, or reduction in speed or functionality of, the Merged Group's information systems or those provided by third party technology vendors could result in a material loss of referrals and could significantly curtail, directly and indirectly, the Merged Group's ability to conduct its business and generate revenue and could result in significant costs being incurred, for example to rebuild systems, respond to regulatory inquiries or actions, pay damages, or take other remedial steps with respect to third parties.

11.4.9 The Merged Group may lose or misuse personal and confidential information

The Merged Group's operations rely on the secure processing, transmission and storage of confidential, proprietary and other information in its computer systems and networks. These facilities and systems, as well as those utilised by referrers, hospitals and other health care practitioners interacting with the Merged Group, may be vulnerable to privacy and security incidents, security attacks and breaches, acts of vandalism or theft, computer viruses or other malware, hardware and software defects or malfunctions, hardware and software updates, distributed denial-of-service or other cybersecurity risks, misplaced or lost data, programming and/or human errors or other similar events.

Any security breach involving the misappropriation, loss or other unauthorised disclosure or misuse of confidential information, including protected health information, financial data, commercially sensitive information, or other proprietary data, whether by the Merged Group or a third party (including referrers, hospitals or other health care practitioners), could have a material adverse effect on the Merged Group's business, reputation, financial position, cash flows, or operations. The occurrence of such events could cause interruptions, delays, the loss or corruption of data, system unavailability, potential liability and regulatory action under privacy and security laws (including as a result of a notifiable data breach under the Notifiable Data Breach Scheme). It could also result in harm to patients, including the release of sensitive personal (including health) information, exposure to risk of fraud and/or interruptions to the availability and/or reliability of diagnostic imaging services and records from past services. These outcomes could have a material adverse effect on the Merged Group's financial position and harm the Merged Group's business reputation.

The *Privacy Act 1988* (Cth) is due to undergo major reform as set out in recent announcements made by the Attorney-General.³⁶ Such reform may result in the Merged Group being subject to additional regulation.

36. For further information, see <https://ministers.ag.gov.au/media-centre/speeches/privacy-design-awards-2024-02-05-2024> and <https://ministers.ag.gov.au/media-centre/tackling-online-harms-01-05-2024>.

11.4.10 The Merged Group may be subject to professional liability claims and costs

Healthcare companies are exposed to the risk of medical indemnity claims and litigation. Patients may initiate or threaten litigation for medical negligence against the Merged Group as a result of inadequate or substandard clinical services. Certain diagnostic imaging procedures also carry inherent risks that could give rise to claims against the Merged Group such as the risk of harm to a patient with metal implants or cardiac pacemakers during an MRI.

Subject to indemnity insurance arrangements that apply to the Merged Group and its medical practitioners, if medical malpractice litigation or threatened litigation results in damages against the Merged Group, it could have a material adverse effect on the financial performance, position, cash flows and future prospects of the Merged Group. Actual or threatened litigation could also cause the Merged Group to suffer damage to its reputation. Any significant claim made against the Merged Group could be costly to defend, result in a substantial damage award against the Merged Group and divert the attention of management from the Merged Group's operations. Additionally, the Merged Group's insurance coverage may not continue to be available at acceptable costs or on favourable terms following any successful claim or claims against it.

11.4.11 The Merged Group may not be issued with, or lose or breach, a licence, registration, certification or accreditation

The Merged Group will be required to hold various licences, registrations, certifications or accreditations to operate its business and bill under Medicare. Any lapse in these licences, registrations, certifications or accreditations, whether for the Merged Group or its employees or the failure to satisfy the necessary Medicare requirements at any of its sites, could adversely affect the Merged Group's operations, cash flows and financial results. Non compliance with industry or regulatory standards could result in the loss of licences and accreditations. Furthermore, the Merged Group may not be issued with the licences, certifications or accreditations necessary to conduct its business. For example, if a state radiation safety regulator considers that the Merged Group's radiation safety practices are not compliant, the Merged Group could lose the ability to provide services which use radiation in that state, which would adversely affect the Merged Group's operations, cash flows, revenue and reputation.

To the extent that funding agreements, agreements with hospitals and provider agreements with private health insurers include termination rights due to loss of accreditation, registration or licence, or other adverse regulatory findings, there may be flow on contractual effects or regulatory difficulties affecting the Merged Group's businesses.

11.4.12 The Merged Group may not achieve anticipated benefits from acquisitions

IDX and Capitol both have historically grown their businesses by acquisition. Future growth through acquisition is likely to remain an important part of the Merged Group's strategy in the future, placing significant demands on management, information systems and controls. Effective management of this growth requires continued development and appropriate resourcing of these controls and systems, failing which the Merged Group may not be able to realise anticipated benefits, effectively integrate acquisitions, capitalise on market opportunities, satisfy customer requirements, execute its business plan or respond to competitive threats.

Strategic acquisitions involve additional risks, including:

- (a) acquisitions giving rise to significant actual or contingent liabilities or loss which it may not be able to recover under acquisition agreements or insurance;
- (b) failing to complete acquisitions on terms and conditions that deliver appropriate returns to stakeholders in line with the Merged Group's strategy, and achieve expected synergies and cost savings in relation to an acquisition;
- (c) customers and key employees of acquired businesses may not be retained after completion of the acquisition;
- (d) the service contracts of acquired businesses may contain unusual or onerous terms, including termination rights, and the integration costs and time may exceed expectations; and
- (e) strategic acquisitions may involve the payment by the Merged Group of additional consideration to the vendors after completion of an acquisition (i.e. an 'earn out' payment) on achievement of predetermined milestones, such as financial performance milestones. Such earn outs are governed by the terms of the agreement for the acquisition and can be subject to differing views on their application and interpretation. The Merged Group may from time to time be in dispute with vendors over earn out terms and amounts, potentially requiring additional resources to resolve the dispute, which may damage relationships with vendors who currently work at the Merged Group's sites. As disclosed in IDX's Annual Report for FY24, IDX has made efforts to settle an earn out dispute regarding Imaging Queensland Group based on the valuation provided by an independent expert for the purpose of the earn out. However the vendors have declined settlement, and the matter remains in dispute as at the Last Practicable Date.

Any of the above factors, either individually or in combination, may have a material adverse effect on the Merged Group's financial position, future prospects and the ability to raise capital for future acquisitions or other strategic initiatives.

11. RISKS CONTINUED

11.4.13 Technological change could adversely affect the Merged Group's business

The success of the Merged Group's business will be dependent on acquiring and maintaining an effective and competitive equipment base. The development of new technologies or refinements of existing modalities could make the Merged Group's existing systems technologically or economically obsolete, or reduce the need or demand for its systems. In turn, this may require the Merged Group to upgrade and enhance its existing equipment earlier than it may otherwise intend. In addition, advances in technology may enable physicians and others to perform diagnostic imaging services currently undertaken by the Merged Group. Any failure by the Merged Group to anticipate and respond to new technologies could negatively affect the Merged Group's ability to deliver its services in an efficient and effective manner, which could have a negative impact on the Merged Group's financial performance and prospects.

11.4.14 The Merged Group's brownfield and greenfield initiatives may not perform as expected

The Merged Group will pursue organic growth by adding technology to existing sites (brownfield opportunities) and opening new clinic locations (greenfield opportunities). Greenfield and brownfield developments take a lot more time than the potential immediate returns derived through acquisition. There is a risk that these investments do not perform as expected or in the planned time frames.

11.4.15 A significant percentage of the Merged Group's expenses will be fixed

A significant percentage of the Merged Group's expenses will be fixed, meaning they will not vary significantly with the increase or decrease in revenues. Accordingly, an adverse change in the Merged Group's revenue – for example, as a result of a decrease in price or in procedure volumes – could have a disproportionate effect on its operating and financial results and prospects.

11.4.16 The Merged Group's insurance cover may be inadequate or unavailable

Insurance cover will be maintained by the Merged Group consistent with industry practice, including workers compensation, business interruption, property damage, public liability, professional indemnity and medical malpractice. However, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover all or any future claims.

11.4.17 The Merged Group's diagnostic imaging equipment may fail

The Merged Group will rely on high utilisation rates on its imaging systems in order to provide timely and effective service. Failures or breakdowns of equipment take time to repair and may lead to a loss of revenue, for which warranties and maintenance contracts may not fully compensate the Merged Group. Further, repairs and servicing may not be able to be performed in a timely manner. If the Merged 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 Merged Group's revenues could decline and its ability to provide services could be harmed.

11.4.18 The Merged Group's relationships with private health insurers may deteriorate

A part of the Merged Group's services will be funded (either directly or via reimbursement to patients) by private health insurers through negotiated fee arrangements. Although private health insurers are required to pay statutory minimum benefits where a negotiated fee arrangement is not in place, 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 Merged Group.

The Merged Group is also susceptible to factors adversely affecting the profitability of private health insurers, such as the number of members, the types of policies, the level of claims and investment income. Economic downturns, changes in economic incentives and annual premium increases may reduce the number of insured members or lead them to decrease their coverage.

A decline in the profitability of private health insurers, or the inability to obtain premium increases, could hinder the Merged Group's growth in funding from private health insurers, or its ability to renew contracts on satisfactory terms. This may also result in patients being faced with higher out-of-pocket expenses, which could reduce demand for the Merged Group's diagnostic imaging services and erode the Merged Group's competitive position.

A decline in private health insurance participation rates in the geographical areas where the Merged Group operates, or an increase in privately-insured inpatients opting to be treated as public inpatients, may also reduce the Merged Group's revenue from private inpatients.

11.4.19 Debt funding and refinance risk

The Merged Group will utilise debt finance to partially fund its business and may obtain additional debt finance or capital to fund its operations. If the Merged Group cannot access capital, or refinance, repay or renew its debt facilities or otherwise obtain debt finance on favourable terms, it may fail to meet its growth objectives, which could materially adversely affect the Merged Group's business and financial position. Additionally, the Merged Group would be exposed to increases in interest rates, which would increase the cost of servicing its debt.

11.4.20 An accident or incident at a facility may occur

An accident or incident at any of the Merged Group's facilities may expose the Merged Group to liability for costs or damages. For example, 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 Merged Group cannot completely eliminate the risk of accidental contamination or injury from these hazardous materials (nor any other accident or incident at any of its facilities) and could be held liable for any resulting damages. Any liability could exceed the limits of, or fall outside, the Merged Group's insurance cover.

11.4.21 Evolving expectations with respect to environmental, social and governance (ESG) standards, and climate change

Evolving community attitudes towards, and increasing regulation and disclosure in relation to, ESG issues may impact the Merged Group's operations. IDX publishes an Environment, Social and Governance Report annually, focusing on key areas such as greenhouse gas emissions, waste management, radiation doses, employee relations, culture, health and safety, diversity and inclusion, arrangements with suppliers and community interaction and contributions.

Increased expectations, and in particular the failure to meet those expectations, could impact on the Merged Group's profitability, restrict access to financing or investment, increase compliance costs associated with meeting prevailing regulatory and disclosure standards, or harm its reputation with its patients, referrers or employee. These factors could have an adverse effect on the Merged Group's business, financial position and prospects.

In addition, the impact of climate change and climate related events could negatively impact the Merged Group's operations and its ability to deliver services through a temporary or protracted lack of availability of necessary infrastructure, energy, communications and medical equipment.

11.4.22 Pandemic risks

Pandemics such as COVID-19 have impacted demand for traditional healthcare services. While IDX has adapted its service delivery to account for this shift in demand, future pandemics will continue to pose a significant risk to the Merged Group's financial position, cash flows, performance and future prospects. In addition, the Merged Group may be unable to provide critical services if people or facilities are impacted.

11.4.23 Securities market fluctuations

There are various risks associated with investing in any form of business and with investing in listed entities generally. As with any entity listed on ASX, the value of IDX Shares are influenced by a variety of factors, including macroeconomic factors or broader social occurrences which are beyond Merged Group's ability to control or predict. The value of IDX Shares following Implementation will depend upon general share market and economic conditions, which are uncertain and subject to fluctuation, as well as specific performance of the Merged Group. There is no guarantee of profitability, dividends, or the return of capital of the Merged Group, or the price at which IDX Shares will trade on ASX. The past performance of Capitol or IDX is not necessarily an indication as to future performance of the Merged Group as the trading price of shares can go down or up in value.

11.4.24 General economic conditions

The financial performance of the Merged Group and the value of IDX Shares may fluctuate due to various factors, including movements in the Australian and international capital markets, recommendations by brokers and analysis, interest rates, exchange rates, inflation, Australian and international economic conditions, change in international economic conditions, change in government, fiscal, monetary and regulatory policies, global geo-political events and hostilities, global health pandemics and acts of terrorism, investor perceptions and other factors that may affect the Merged Group's financial position and earnings. In the future, these factors may affect the performance of the Merged Group and may cause the price of IDX Shares to fluctuate and trade below current prices.

Australia may experience an economic recession or downturn of uncertain severity and duration which could impact the Merged Group's ability to operate the business in the normal course which may adversely impact the Merged Group's earnings and assets, as well as the value of IDX Shares.

11. RISKS CONTINUED

11.5 Risks relating to Capitol if the Scheme does not proceed

If the Scheme does not proceed Capitol will continue on a standalone basis and Capitol Shareholders will retain their Capitol Shares. In these circumstances Capitol Shareholders will continue to be subject to all the risks that currently apply to an investment in Capitol, including many of the risk factors described above in Section 11.4 as applicable to the Merged Group. However Capitol Shareholders should note the additional risks set out below if the Scheme does not occur.

11.5.1 Capitol Shareholders will not receive the Scheme Consideration

If the Scheme is not implemented:

- (a) Capitol Shareholders will retain their Capitol Shares and will not receive the Scheme Consideration; and
- (b) Capitol will remain listed on ASX and will continue to operate its business as a standalone entity.

In those circumstances Capitol Shareholders will continue to be exposed to the risks and benefits of owning Capitol Shares. Many of the risks identified in Section 11.4 above will apply to the future operations of Capitol as a standalone business.

11.5.2 Price of Capitol Shares may fall below its recent trading price, in the absence of a Superior Proposal

The market price of a company's publicly traded securities is affected by many variables, some of which are not directly related to the company. Fluctuations in Capitol's Share price could result from national and global economic and financial conditions, the market's response to the Scheme, market perceptions of Capitol, regulatory changes affecting Capitol's operations and liquidity of financial markets. In recent years the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations which have not necessarily been related to the operating performance underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the Capitol Share price in the future if the Scheme does not proceed.

If the Scheme does not proceed and no Superior Proposal emerges it is likely that the price of Capitol Shares will fall to below the level at which it has been trading since the Announcement Date (although this is difficult to predict with any degree of certainty).

11.5.3 Transaction costs will be incurred

Capitol will have incurred significant transaction costs in relation to the proposed Scheme even if it does not proceed (see Section 13.7 for further information). These costs may include paying the Break Fee to IDX in certain circumstances, as set out in the MID. See Section 13.4.5 for further information on the Break Fee.

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SECTION 12
AUSTRALIAN TAX
IMPLICATIONS
OF THE SCHEME

12. AUSTRALIAN TAX IMPLICATIONS OF THE SCHEME

12.1 Introduction

This Section 12 does not constitute financial product advice as defined in the Corporations Act. The Australian tax implications of the Scheme is confined to taxation issues and is only one of the matters Capitol Shareholders need to consider when making a decision about their investments. Capitol Shareholders should consider taking advice from a licensed adviser, before making a decision about their investments.

The partnership of Ernst & Young is not required to hold an Australian Financial Services Licence under the Corporations Act to provide Capitol Shareholders with the Australian tax implications of the Scheme. Ernst & Young disclaims all liability to any Capitol Shareholders or other party for all costs, loss, damage and liability that the Capitol Shareholders or other party may suffer or incur arising from or relating to or in any way connected with the contents of this Section 12 or the provision of the Australian tax implications of the Scheme to the Capitol Shareholders or other party or the reliance on the Australian tax implications of the Scheme by the Capitol Shareholders or other party.

This Section 12 provides a general summary of the Australian income tax, stamp duty and GST consequences for Capitol Shareholders in relation to the Scheme. This summary is based on the applicable Australian tax laws and administrative practices as at the date of this Scheme Booklet.

This summary in this Section is limited in scope and is relevant only for Australian tax resident Capitol Shareholders that hold their Scheme Shares on capital account. The information in this Section relates only to Scheme Shares, and not to other rights held over Scheme Shares.

This Section 12 does not consider the Australian tax consequences for Capitol Shareholders who:

- 12.1.1 hold their Scheme Shares as trading stock, as revenue assets, or otherwise in the course of carrying on a business or as part of a profit-making undertaking or scheme;
- 12.1.2 acquired their Scheme Shares through an employee share, option or rights scheme;
- 12.1.3 are subject to specific tax rules such as the taxation of financial arrangement rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (Tax Act), the investment manager regime in Division 832 of the Tax Act, or other tax rules such as those applicable to banks or financial institutions, insurance companies, tax exempt entities, special purpose vehicles or permanent establishments; or
- 12.1.4 are non-resident persons for Australian tax purposes.

The information contained in this summary is of a general nature only and is not intended to be an exhaustive opinion on all possible tax implications that could apply to Capitol Shareholders in relation to the Scheme. This summary does not address any tax implications in jurisdictions outside of Australia.

Since the specific tax consequences of the Scheme for Capitol Shareholders will depend on each Scheme Shareholder's individual circumstances, each Capitol Shareholder should seek independent professional advice regarding the Australian and foreign tax consequences of the Scheme relevant to their own particular facts and circumstances.

12.2 ATO Class Ruling

Capitol has applied (on behalf of Capitol Shareholders) for a class ruling (**Class Ruling**) from the Commissioner of Taxation, to confirm the key Australian income tax consequences of the Scheme, including whether Australian resident Capitol Shareholders, who would otherwise make a capital gain on disposal of their Scheme Shares, are eligible to obtain scrip-for-scrip roll-over relief pursuant to Subdivision 124-M of the *Income Tax Assessment Act 1997* (Cth).

A Class Ruling may not be issued by the Commissioner of Taxation until after the Implementation Date. If a final Class Ruling is published by the Commissioner of Taxation, it would be available on the Australian Taxation Office's website at www.ato.gov.au and will also be published on Capitol's website.

Capitol Shareholders should review the final Class Ruling once issued by the Commissioner of Taxation. The income tax comments provided in the following Sections are consistent with positions included in Capitol's Class Ruling application.

The Scheme is not conditional on the receipt of a finalised Class Ruling.

12.3 Australian tax resident Capitol Shareholders

The below is a summary of the Australian income tax considerations for Capitol Shareholders who are residents of Australia for income tax purposes and hold their Capitol Shares on capital account.

12.3.1 Capital gains tax

Under the Scheme, Capitol Shareholders will dispose of their Capitol Shares and, in return, receive New IDX Shares as Scheme Consideration.

For Australian income tax purposes, the disposal of Capitol Shares should trigger a CGT event for the Capitol Shareholder. A Capitol Shareholder should make:

- (a) a capital gain to the extent that the capital proceeds received on disposal of their Scheme Shares are more than the cost base of the Scheme Shares disposed – this is subject to the application of CGT roll-over relief (see below) or the availability of the CGT discount (see below); or
- (b) a capital loss to the extent that the capital proceeds received on disposal of their Scheme Shares are less than the reduced cost base of the Scheme Shares disposed.

The capital proceeds received on disposal of Scheme Shares under the Scheme should be the market value of the New IDX Shares received on the Implementation Date as Scheme Consideration.

The cost base of each Scheme Share should generally be the amount of money paid, or market value of property given, to acquire the Scheme Share and certain incidental costs of acquisition and disposal (such as brokerage fees and legal costs). The reduced cost base of a Scheme Share is determined in a similar manner except that certain amounts are excluded from the calculation of the reduced cost base depending on the Capitol Shareholder's individual circumstances.

Capital losses can be offset against capital gains derived in the same income year or in later income years. Specific loss recoupment rules may apply (e.g. for Capitol Shareholders who are companies for Australian income tax purposes) which must be satisfied if those carry forward capital losses are to be used in future years.

12.3.2 CGT scrip-for-scrip roll-over

CGT scrip-for-scrip roll-over relief under Subdivision 124-M of the Tax Act should be available to Australian tax resident Capitol Shareholders in respect of the exchange of Scheme Shares for New IDX Shares. It is noted that IDX will not make an election to deny Capitol Shareholders roll-over relief. As noted above, Capitol has applied for a Class Ruling from the ATO in respect of the availability of scrip-for-scrip roll-over relief for Capitol's Shareholders.

If a Capitol Shareholder makes a choice to apply the roll-over relief:

- (a) any capital gain that the Capitol Shareholder would have otherwise made on the disposal of their Scheme Shares should be disregarded;
- (b) the existing total cost base of the Capitol Shareholder's Scheme Shares should effectively become the total cost base of the replacement New IDX Shares received (the total cost base will be prorated across the number of New IDX Shares received in exchange for the Capitol Shares); and
- (c) the replacement IDX Shares received should be deemed to have been acquired by the Capitol Shareholder when the disposed Scheme Shares were originally acquired.

CGT roll-over relief is not available if a Capitol Shareholder makes a capital loss on the disposal of the Scheme Shares.

12.3.3 CGT discount

Where a Capitol Shareholder is an individual, complying superannuation fund or trust and the scrip-for-scrip roll-over relief is not available or has not been applied, the CGT discount may be available where the relevant Capitol Shareholder has held, or is taken to have held, their Capitol Shares for at least 12 months (not including the date of acquisition or the date of disposal) at the time of the disposal of their Capitol Shares to IDX (being the Implementation Date).

The CGT discount is not available to a Capitol Shareholder that is a company.

Where applicable, a Capitol Shareholder that is an individual and certain trusts who have not elected CGT scrip-for-scrip roll-over relief may be eligible to discount the gross capital gain by 50%, thereby including only the remaining 50% of the gross capital gain in their assessable income for tax purposes.

Where applicable, a Capitol Shareholder that is a complying superannuation entity who has not elected CGT scrip-for-scrip roll-over relief may discount the capital gain by 1/3, thereby including only the remaining 2/3 of the capital gain in its assessable income for tax purposes.

12. AUSTRALIAN TAX IMPLICATIONS OF THE SCHEME CONTINUED

A Capitol Shareholder should be eligible for the CGT discount provided that:

- (a) the Capitol Shares were acquired, or are taken to have been acquired, at least 12 months before the disposal to IDX (not including the date of acquisition or the date of disposal);
- (b) the Capitol Shareholder did not choose to index the cost base of their Capitol Shares; and
- (c) the CGT discount is applied to the capital gain only after any available capital losses are first applied to reduce the capital gain.

12.4 Foreign tax resident Capitol Shareholders

For a Capitol Shareholder who:

12.4.1 is not a resident of Australia for income tax purposes; and

12.4.2 does not hold their Scheme Shares in carrying on a business through a permanent establishment in Australia,

the disposal of Scheme Shares will generally only result in Australian CGT implications if their Scheme Shares are "indirect Australian real property interests" (IARPI) under the Tax Act at the time of disposal. Broadly, the Scheme Shares will only be IARPI where both of the following conditions are satisfied:

12.4.3 the Capitol Shareholder, together with its associates, holds 10% or more of the issued shares in Capitol at the time of the disposal, or held 10% or more of the issued shares in Capitol, for any continuous 12 month period within two years preceding the disposal (referred to as a Non-portfolio Interest); and

12.4.4 more than 50% of the market value of Capitol's assets is attributable to direct or indirect interests in 'taxable Australian real property' (as defined in the Tax Act) (the Principal Asset Test).

Capitol expects the Principal Asset Test will not be satisfied, i.e. Capitol's assets that are attributable to direct or indirect interests in 'taxable Australian real property' do not represent more than 50% of the market value of Capitol's assets.

Having regard to the above, no Australian CGT implications should arise for Capitol Shareholders who are not Australian tax residents provided they hold their shares on capital account and do not hold their Scheme Shares in carrying on a business through a permanent establishment in Australia. Notwithstanding these general comments, it is recommended non-resident persons seek independent professional advice regarding the Australian and foreign tax consequences of the Scheme relevant to their own particular facts and circumstances.

12.5 Foreign resident CGT withholding tax rules

Generally, a foreign resident capital gains withholding tax equal to 12.5% (proposed to be 15% from 1 January 2025) of the capital proceeds applies to a transaction involving the acquisition of a share that is an IARPI from a "relevant foreign resident". Generally, a "relevant foreign resident" would be any Capitol Shareholder who, at the time that the Scheme is entered into:

12.5.1 IDX knows is a foreign resident for Australian income tax purposes;

12.5.2 IDX reasonably believes is a foreign resident for Australian income tax purposes;

12.5.3 IDX does not reasonably believe is an Australian resident for Australian income tax purposes and either:

- (a) the Capitol Shareholder has an address outside Australia (according to any record that is in IDX's possession or is kept or maintained on IDX's behalf about the disposal of Scheme Shares); or
- (b) in respect of which, IDX is authorised to provide a related financial benefit to a place outside Australia; or

12.5.4 has a connection outside Australia of a kind specified in the relevant regulations under the Tax Act.

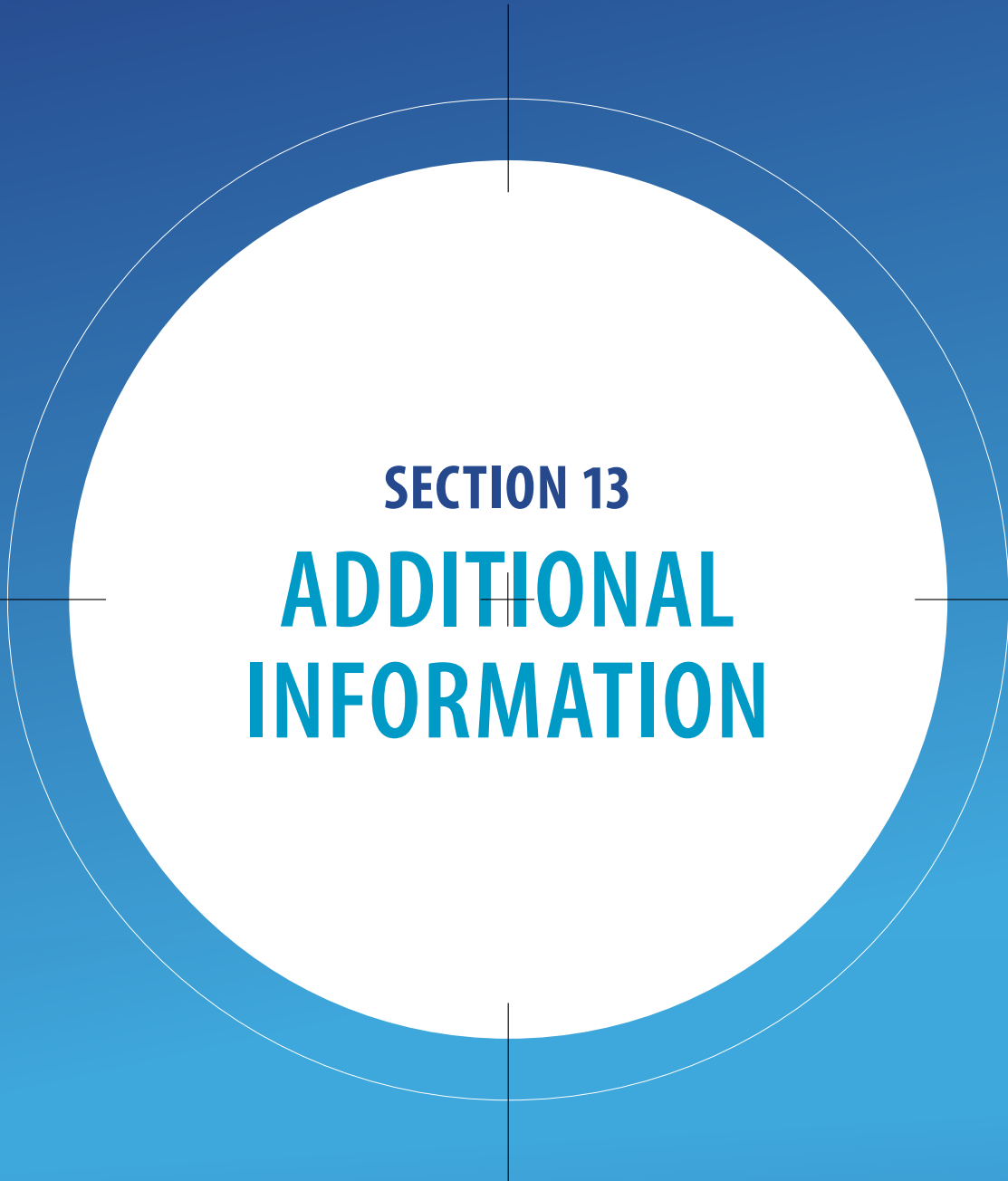
As the shares in Capitol are not IARPI, the abovementioned withholding tax provisions will not apply.

12.6 GST and stamp duty

No Australian stamp duty or GST should be payable by a Capitol Shareholder on the disposal of the Scheme Shares or acquisition of the New IDX Shares under the Scheme.

Capitol Shareholders may be charged GST on any costs they incur in acquiring or disposing of Scheme Shares. Capitol Shareholders who are registered for GST may be entitled to input tax credits or reduced input tax credits for such costs. Capitol Shareholders who are registered for GST should seek independent GST advice in relation to their own particular circumstances.

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SECTION 13
ADDITIONAL
INFORMATION

13. ADDITIONAL INFORMATION

13.1 Introduction

This Section 13 sets out the statutory information required by section 412(1)(a) of the Corporations Act and Part 3 of Schedule 8 to the Corporations Regulations to be included in this Scheme Booklet, to the extent not covered elsewhere in this Scheme Booklet. This Section 13 also includes additional information that the Capitol Directors consider material to a decision on how to vote on the Scheme Resolution.

13.2 Capitol Directors Interests

13.2.1 Directors' recommendation and voting intention

The Capitol Directors unanimously recommend that Capitol Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders. Subject to the same qualifications, each of the Capitol Directors will vote all Capitol Shares that they hold or control in favour of the Scheme.

Capitol Shareholders should note when considering this recommendation the interests of the Capitol Directors described in this Section 13.

13.2.2 Interests of Capitol Directors in Capitol securities

The table below outlines the relevant interests in Capitol Shares, Performance Rights and Options held by the Capitol Directors as at the Last Practicable Date:

DIRECTOR	CAPITOL SHARES	PERFORMANCE RIGHTS	OPTIONS	PERCENTAGE OF ISSUED CAPITAL SHARES HELD ³⁷	PERCENTAGE OF ISSUED CAPITAL SHARES HELD ON A FULLY DILUTED BASIS ³⁸
Andrew Demetriou, Non-Executive Chair	200,000 ³⁹	Nil	Nil	0.02%	0.02%
Richard Loveridge, Non-Executive Director	656,364 ⁴⁰	Nil	Nil	0.06%	0.06%
Laura McBain, Non-Executive Director	115,000 ⁴¹	Nil	Nil	0.01%	0.01%
Dr Kevin Shaw, Non-Executive Director	Nil	Nil	Nil	Nil	Nil
Justin Walter, Managing Director & Chief Executive Officer	4,672,145 ⁴²	5,012,530	Nil	0.44%	0.090%
Total	5,643,509	5,012,530	Nil	0.53%	0.18%

13.2.3 Interests of Mr Justin Walter

In relation to the recommendation and voting intention of Mr Justin Walter, Capitol Shareholders should also have regard to the fact that if the Scheme becomes Effective:

- with effect on and from the Implementation Date, Mr Walter will transition to the role of Chief Integration Officer of the Merged Group on the terms set out in the Variation Agreement which are summarised in Section 13.6;
- as set out above, as at the Last Practicable Date, Mr Walter holds or controls 4,672,145 Capitol Shares which, if the Scheme is implemented, will be acquired by IDX in exchange for New IDX Shares. Based on the closing price of IDX Shares as at the Last Practicable Date of \$2.57 per IDX Share, the value of the New IDX Shares which Mr Walter will receive as Scheme Consideration in relation to these Capitol Shares on the Implementation Date is approximately \$1,542,830;

37. Based on 1,066,047,498 Capitol Shares on issue as at the Last Practicable Date.

38. Assuming there are 1,072,580,537 Capitol Shares on issue (comprising 1,066,047,498 Capitol Shares on issue as at the Last Practicable Date, 6,376,789 Capitol Shares that are expected to be issued following the exercise of the Performance Rights as set out in Section 7.9 and excluding 156,250 Capitol Shares that may be issued before the Scheme Record Date in connection with a historical acquisition and assuming that the vested Options are not exercised).

39. Based on the closing price of IDX Shares as at the Last Practicable Date of \$2.57 per IDX Share, the value of the New IDX Shares which Mr Demetriou will receive as Scheme Consideration on the Implementation Date is approximately \$66,044.

40. Based on the closing price of IDX Shares as at the Last Practicable Date of \$2.57 per IDX Share, the value of the New IDX Shares which Mr Loveridge will receive as Scheme Consideration on the Implementation Date is approximately \$216,744.

41. Based on the closing price of IDX Shares as at the Last Practicable Date of \$2.57 per IDX Share, the value of the New IDX Shares which Ms McBain will receive as Scheme Consideration on the Implementation Date is approximately \$37,795.

42. See Section 13.2.3 in relation to the interests held by Mr Justin Walter.

- (c) as set out above, as at the Last Practicable Date, Mr Walter holds or controls 5,012,530 Performance Rights, which in accordance with the terms of his employment agreement will automatically vest and be exercised into 5,012,530 Capitol Shares on the Effective Date and, if the Scheme is implemented, these Capitol Shares will be acquired by IDX in exchange for 644,059 New IDX Shares. Based on the closing price of IDX Shares as at the Last Practicable Date of \$2.57 per IDX Share, the value of the New IDX Shares which Mr Walter will receive as Scheme Consideration on the Implementation Date in relation to these Capitol Shares is approximately \$1,655,232,⁴³ and
- (d) Mr Walter has been issued with an FY25 STI in accordance with the terms of his employment agreement of an amount equal to \$547,500. In accordance with Mr Walter's employment agreement, 100% of his FY25 STI entitlement will become due and payable on the Effective Date.

The Capitol Board (excluding Mr Walter) and Mr Walter separately consider that notwithstanding these arrangements, it is appropriate for Mr Justin Walter to make a recommendation on the Scheme, given Mr Walter's role in the operation and management of Capitol and that Capitol Shareholders would wish to know Mr Walter's views on the Scheme.

13.2.4 Interests of Ms Laura McBain and Dr Kevin Shaw

In relation to the recommendation and voting intention of Ms Laura McBain and Dr Kevin Shaw, Capitol Shareholders should have regard to the fact that, if the Scheme becomes Effective, it is intended that Ms McBain and Dr Shaw will be appointed as non-executive directors of the Merged Group, on terms consistent with the other directors of IDX Directors.

The quantum of directors' fees that each of Ms McBain and Dr Shaw will receive in connection with these appointments will ultimately be dependent on how many, if any, board committees each non-executive director is appointed to and will be consistent with IDX's current practice.

The Capitol Board (excluding Ms McBain and Dr Shaw) and Ms McBain and Dr Shaw separately consider that notwithstanding these arrangements (which have no impact on the Scheme Consideration being paid to Scheme Shareholders), it is important and appropriate for each of them to make a recommendation to Capitol Shareholders in respect of the Scheme, given the importance of the Scheme to Capitol Shareholders.

13.2.5 Exertion Payments and retention payments

In recognition of the significant roles played by a number of senior Capitol employees and the Capitol Directors in connection with the Scheme and the additional personal efforts required by those individuals to successfully implement the Scheme, certain employees and Capitol Directors will be paid exertion payments in recognition of the additional work they are required to provide (**Exertion Payments**). The Exertion Payments which total \$668,000 in aggregate are to compensate the relevant individuals for the significant additional time commitment and responsibilities that are required of them in connection with the Scheme. Payment of the Exertion Payments is not conditional on the Scheme becoming Effective or implementation of the Scheme and will be made prior to the Implementation Date.

In addition, in order to incentivise certain key employees of the Capitol Group to remain with the business to assist with the successful implementation of the Scheme, Capitol will make a number of retention payments (**Retention Payments**) totalling \$653,000, which are conditional on the relevant employee remaining employed by Capitol and not having provided notice of resignation on:

- (a) the date of the Scheme Meeting, if the Scheme is not approved by the Requisite Majorities at the Scheme Meeting; or
- (b) the Implementation Date, if the Scheme is approved by the Requisite Majorities at the Scheme Meeting.

The Retention Payments and Exertion Payments to be made before the Implementation Date comprise:

- (a) an Exertion Payment of up to \$250,000 to Capitol's Chairman Mr Andrew Demetriou;
- (b) an Exertion Payment of up to \$20,000 to Capitol's non-executive director, Mr Richard Loveridge;
- (c) an Exertion Payment of up to \$55,000 to each of Capitol's non-executive directors Dr Kevin Shaw and Ms Laura McBain;
- (d) a Retention Payment of \$365,000 to Capitol's Managing Director and CEO, Mr Justin Walter;
- (e) an Exertion Payment of \$212,500 and a Retention Payment of \$212,500 to Capitol's Chief Financial Officer; and
- (f) an Exertion Payment of \$75,500 and a Retention Payment of \$75,500 to Capitol's Chief People Officer.

43. Mr Justin Walter will not be entitled to vote at the Scheme Meeting in respect of the 5,012,530 new Capitol Shares he will receive on vesting and exercise of his Performance Rights, as these will only vest and be issued to him on the Effective Date, which is after the date of the Scheme Meeting.

13. ADDITIONAL INFORMATION CONTINUED

13.2.6 Interests of Capitol Directors in IDX securities

No Capitol Director holds, or has any interest in, marketable securities in IDX.

13.2.7 Interests of Capitol Directors in contracts with IDX

No Capitol Director has any interest in any contract entered into by IDX, or any of its Related Bodies Corporate.

13.2.8 Benefits in connection with retirement from office

There is no payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of Capitol (or any of its Related Bodies Corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from office in Capitol (or any of its Related Bodies Corporate) in connection with the Scheme.

13.2.9 Deeds of indemnity, insurance and access

Capitol has entered into deeds of indemnity, insurance and access with the directors and officers of the Capitol Group, on customary terms (**D&O Deeds**). The D&O Deeds include terms that provide for each Capitol Group Member to indemnify each of its directors and officers against all liability arising as a result of such persons acting as a director or officer, to the extent permitted by law.

Capitol also pays a premium in respect of a directors and officers insurance policy for the benefit of the directors and officers of Capitol. The MID permits Capitol to, prior to the Implementation Date, enter into arrangements to provide run-off insurance coverage for all current Capitol Directors for seven years from the retirement date of each Capitol Director. Under the MID, IDX must ensure that this directors' and officers' run-off insurance is maintained for this same seven year period.

As at Last Practicable Date, Capitol expects the premium for entry into such run-off arrangements will be \$600,000.

13.2.10 Agreements connected with or conditional on the Scheme

Other than the Variation Agreement or as disclosed in this Section 13.2, there are no agreements or arrangements made between a Director and another person in connection with, or conditional on, the outcome of the Scheme.

13.3 No relevant restrictions in the Constitution of Capitol

There are no relevant restrictions on the right to transfer Capitol Shares in Capitol's constitution.

13.4 MID summary

Capitol and IDX entered into the MID on 18 July 2024. The MID sets out the obligations of Capitol and IDX in connection with the implementation of the Scheme. A full copy of the MID is attached to the Capitol ASX announcement of 18 July 2024 which is available on the ASX website (<https://www.asx.com.au/>). The following is a summary of the key terms of the MID only and is qualified in its entirety by the full text of the MID.

13.4.1 Conditions

The obligations of the parties to implement the Scheme are subject to the conditions precedent summarised below being satisfied or waived (where capable of waiver), each being a Condition (clause 3.1 of the MID):

- (a) **Competition Approval:** IDX has received informal merger clearance from the ACCC (either unconditionally or on conditions that are acceptable to IDX acting reasonably) by written notice stating to the effect that the ACCC does not propose to intervene or seek to prevent the acquisition of the Scheme Shares by IDX and that notice remains in full force in all respects and has not been withdrawn, amended or restricted before 8.00am on the Second Court Date;
- (b) **New IDX Shares:** the New IDX Shares to be issued pursuant to the Scheme are approved for official quotation by ASX by 8.00am on the Second Court Date;
- (c) **No restraints:** no restraint or prohibition (including any temporary, preliminary or final order, injunction, decision or decree issued by any court or Government Agency), or other material legal restraint or prohibition, preventing or delaying (or which could reasonably be expected to prevent or delay) the Scheme is in effect as at 8.00am on the Second Court Date;
- (d) **Shareholder approval:** Capitol Shareholders agree to the Scheme at the Scheme Meeting by the Requisite Majorities;
- (e) **Equity incentives:** Capitol has taken all necessary steps to ensure that, before the Scheme Record Date, all Capitol Equity Incentives vest or lapse, as agreed by IDX and Capitol;
- (f) **Court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;

- (g) **No IDX Material Adverse Change:** no IDX Material Adverse Change occurs between the date of the MID and 8.00am on the Second Court Date;
- (h) **No Capitol Material Adverse Change:** no Capitol Material Adverse Change occurs between the date of the MID and 8.00am on the Second Court Date;
- (i) **No IDX Prescribed Occurrence:** no IDX Prescribed Occurrence occurs between the date of the MID and 8.00am on the Second Court Date; and
- (j) **No Capitol Prescribed Occurrence:** no Capitol Prescribed Occurrence occurs between the date of the MID and 8.00am on the Second Court Date.

On 25 July 2024, IDX applied for informal merger clearance from the ACCC. On 5 September 2024, the ACCC commenced a public informal review of the Scheme and issued a market inquiries letter inviting submissions from interested parties. The closing date for submissions to the ACCC is 19 September 2024. The ACCC has set a provisional decision date for the announcement of the ACCC's findings on 28 November 2024, which may be a final decision that the ACCC will not oppose the Scheme, or release of a "Statement of Issues" setting out the ACCC's preliminary findings that require further investigation. However, the ACCC may change this provisional decision date.

Depending on the timing of the ACCC's decision, the key dates in respect of the Scheme may be delayed (including the date of the Scheme Meeting, Second Court Date, Effective Date, Scheme Record Date and Implementation Date).

As far as Capitol is aware, immediately before the date of this Scheme Booklet no circumstances have occurred which have caused or will cause any of the Conditions not to be satisfied or to become incapable of satisfaction. These matters will continue to be assessed until the latest time each Condition is to be satisfied, which for many of the Conditions is 8.00am on the Second Court Date.

13.4.2 Conduct of business

Subject to certain exceptions, from the date of the MID until the Implementation Date, the Capitol Group is required to comply with certain conduct of business requirements, which are summarised below but set out in full in clause 6.1(a) of the MID. Among other things Capitol must, and must procure that each member of the Capitol Group does, the following:

- (a) conduct its business and operations in the ordinary and usual course generally consistent with past practice (including the manner in which each business and operation has been conducted in the 12 months prior to the date of the MID);
- (b) have all necessary Authorisations for the Capitol Group to conduct the business of the Capitol Group and comply in all material respects with all Authorisations necessary for the Capitol Group to conduct the business of the Capitol Group (as conducted in the 12 months before the date of the MID);
- (c) comply in all material respects with all material contracts and material leases to which any member of the Capitol Group is party;
- (d) use reasonable endeavours to ensure that no Capitol Prescribed Occurrence occurs; and
- (e) use reasonable endeavours to ensure that its businesses and assets are maintained in the ordinary course and consistent with past practice, keep available the services of its directors, officers and employees and maintain its relationship with Government Agencies.

In addition, there are a number of negative covenants which apply to each member of the Capitol Group which are set out in full in clause 6.1(c) of the MID. These negative covenants prevent members of the Capitol Group from taking certain actions including entering into a transaction with any related party of Capitol (other than a member of the Capitol Group), incurring debt above prescribed thresholds, disposing of businesses and material assets, acquiring businesses or material assets above prescribed thresholds or entering into partnerships or joint ventures without IDX's prior written consent (unless another exception applies).

The MID also requires IDX to carry on its business and operations in the ordinary and usual course. The IDX conduct of business restrictions are set out in full in clause 6.2 of the MID.

13.4.3 Representations and warranties

The MID contains customary representations and warranties for a transaction similar to the Scheme, which are given by each of Capitol and IDX to each other.

These representations and warranties are set out in Schedule 1 (in the case of Capitol) and Schedule 2 (in the case of IDX) of the MID.

13. ADDITIONAL INFORMATION CONTINUED

13.4.4 Exclusivity

The MID contains certain mutual exclusivity arrangements. These arrangements which are set out in full in clause 12 of the MID, are in line with market practice and are summarised below:

(a) No-shop

During the Exclusivity Period, each of Capitol and IDX must not, and must ensure that each of its Related Persons does not, solicit, invite, initiate or encourage any inquiry, expression of interest, offer, proposal or discussion from any person in relation to or that could reasonably be expected to encourage or lead to the making of an actual or proposed Competing Proposal, or communicate to any person any intention to do any of these things.

(b) No-talk

Subject to the 'fiduciary exception' described below, during the Exclusivity Period, each of Capitol and IDX must not, and must ensure that each of its Related Persons does not, negotiate or enter into any discussions or agreements with any person in relation to, or which may reasonably be expected to lead to, an actual or proposed Competing Proposal or communicate to any person any intention to do any of these things.

(c) No-due diligence

Subject to the 'fiduciary exception' described below, during the Exclusivity Period, each of Capitol and IDX must not, and must ensure that each of its Related Persons does not, disclose or otherwise provide any non-public information about the business or affairs of the Capitol Group to a third party (other than a Government Agency), which could reasonably be expected to encourage or lead to receipt of an actual or proposed Competing Proposal.

(d) Fiduciary exception

The 'fiduciary exception' is an exception that applies where complying with a restriction could cause the Capitol Directors or IDX Directors to breach their fiduciary duties or statutory obligations.

The 'no-talk' and 'no-due diligence' restrictions do not prohibit Capitol with respect to an actual or proposed Competing Proposal provided that the Capitol Board has determined in good faith:

- (i) after consultation with its financial and legal Advisers, that the actual, proposed or potential Competing Proposal is or would reasonably be expected to lead to a Superior Proposal; and
- (ii) after receiving written advice from its legal Adviser, that failing to take the action or refusing to take the action with respect to the Competing Proposal would be reasonably likely to breach the fiduciary or statutory duties of the Capitol Board,

provided that the actual, proposed or potential Competing Proposal was not directly or indirectly brought about by a breach of the 'no-shop' restriction.

(e) Notification of approaches

During the Exclusivity Period, Capitol must as soon as reasonably possible notify IDX in writing if it, or any of its Related Persons, becomes aware of any proposal, negotiations or discussions or approach to initiate discussions in respect of an actual, proposed or potential Competing Proposal or provision by Capitol or any of its Related Persons of any non-public information concerning the business or operations of Capitol Group to any third party in connection with an actual, proposed or potential Competing Proposal. This notification must include the identity of the relevant person making or proposing the relevant actual, proposed or potential Competing Proposal, together with all material terms and conditions of the actual, proposed or potential Competing Proposal.

(f) Matching Right

If, during the Exclusivity Period, the Capitol Board determines that a Competing Proposal is or would reasonably be expected to lead to a Superior Proposal, IDX has the right, but not the obligation, to make a matching or superior proposal (**IDX Counterproposal**) to the Competing Proposal within 5 Business Days of receipt of the information about the Competing Proposal (**Matching Period**). If before the expiry of the Matching Period, IDX makes an IDX Counterproposal, Capitol must procure that the Capitol Board promptly considers that IDX Counterproposal and Capitol must procure that each of the Capitol Directors continues to recommend the Scheme (as modified by the IDX Counterproposal) to Capitol Shareholders.

If the Capitol Board (acting reasonably and in good faith) determines that the IDX Counterproposal would provide an equivalent or superior outcome for the Capitol Shareholders as a whole compared with the Competing Proposal, Capitol and IDX must use their reasonable endeavours to agree any amendments to the MID that are reasonably necessary to reflect the IDX Counterproposal and to implement the IDX Counterproposal.

If IDX does not make an IDX Counterproposal before expiry of the Matching Period, or if the Capitol Board does not consider that an IDX Counterproposal made within the Matching Period would provide an equivalent or superior outcome for Capitol Shareholders as a whole compared with the Competing Proposal, subject to the terms of the MID, Capitol may enter into a legally binding agreement to undertake or give effect to the Competing Proposal.

13.4.5 Break Fee

Capitol must pay IDX the Break Fee of \$3,500,000 ex GST (being the amount equal to approximately 1% of the implied equity value of Capitol under the Scheme on the Announcement Date) in the circumstances described below.

The Capitol Directors consider that the Break Fee represents a genuine and reasonable pre-estimate of the costs that would be incurred by IDX in pursuing the Scheme, acknowledging that such costs are of a nature such that they cannot all be accurately ascertained, and that it is appropriate for Capitol to agree to pay the Break Fee in the circumstances set out in full in clause 13.2 of the MID and summarised below, which are customary 'break fee' triggers for a transaction in the nature of the Scheme.

The Break Fee is payable by Capitol to IDX if:

- (a) during the Exclusivity Period, one or more Capitol Directors withdraws or adversely changes their support of the Scheme or their recommendation that Capitol Shareholders vote in favour of the Scheme unless:
 - (i) the Independent Expert concludes in the Independent Expert's Report that the Scheme is not in the best interests of Capitol Shareholders (except where that conclusion is due wholly or partly to the existence of a Competing Proposal);
 - (ii) the failure to recommend, or the change to or withdrawal of a recommendation to vote in favour of the Scheme is a result of a requirement by a Court or a Government Agency that one or more Capitol Directors abstain or withdraw from making a recommendation that Capitol Shareholders vote in favour of the Scheme; or
 - (iii) Capitol is entitled to terminate the MID due to IDX's material and unremedied breach of the MID, the Scheme does not occur before the Effective Date, or the Conditions have not been satisfied or waived and Capitol issues a valid termination notice on this basis resulting in the Scheme not occurring;
- (b) during the Exclusivity Period one or more Capitol Directors recommends that Capitol Shareholders accept or vote in favour or, or otherwise supports or endorses, a Competing Proposal that is announced;
- (c) a Competing Proposal is announced during the Exclusivity Period and within 12 months of the date of such announcement, the third party or its Associate:
 - (i) completes a Competing Proposal of a kind referred to in any paragraphs (1), (2), (3) or (4) of the definition of Competing Proposal;
 - (ii) enters into any arrangement with Capitol or a member of the Capitol Group of the kind referred to in paragraph (5) of the definition of Competing Proposal; or
 - (iii) acquires (either alone or in aggregate) a relevant interest in more than 50% of the Capitol Shares that is wholly unconditional or acquires Control of Capitol; or
- (d) IDX has terminated the MID due to a material and unremedied breach of a Capitol Representation and Warranty or the MID by Capitol, having provided a valid notice of termination to Capitol, and the Scheme does not complete.

The Break Fee will not be payable prior to the termination of the MID or if the Scheme becomes Effective, notwithstanding the occurrence of any of the above events.

The Break Fee will not be payable simply by reason that Capitol Shareholders do not approve the Scheme at the Scheme Meeting.

13.4.6 Reverse Break Fee

A Reverse Break Fee (being \$3,500,000 ex GST) is payable by IDX to Capitol if Capitol has terminated the MID due to a material and unremedied breach of an IDX Representation and Warranty or the MID by IDX or the Scheme becomes Effective but IDX does not pay or procure the provision of the Scheme Consideration in accordance with its obligations under the MID and the Deed Poll.

The Reverse Break Fee provisions are set out in full in clause 14 of the MID.

13. ADDITIONAL INFORMATION CONTINUED

13.4.7 Termination

- (a) Either Capitol or IDX may terminate the MID if:
- (i) a Condition will not be satisfied at all or by the time and date specified in the MID for the satisfaction of that Condition; or
 - (ii) the Scheme does not become Effective by the End Date; and
- Capitol and IDX are unable to agree as to whether the Scheme may proceed by way of alternative means or to adjourning the application to the Court for approving the Scheme.
- (b) IDX may terminate the MID before 8.00am on the Second Court Date if:
- (i) any Capitol Director fails to recommend the Scheme, withdraws their recommendation, that Capitol Shareholders vote in favour of the Scheme or makes a public statement that they no longer recommend the Scheme or supports another transaction other than where the Capitol Director is required by a court or Government Agency to abstain or withdraw from recommending the Scheme; or
 - (ii) Capitol is in material and unremedied breach of the MID or a Capitol Representation and Warranty.
- (c) Capitol may terminate the MID before 8.00am on the Second Court Date if:
- (i) a majority of the Capitol Board fail to recommend, withdraw or adversely change their recommendation to Capitol Shareholders to vote in favour of the Scheme; or
 - (ii) IDX is in material and unremedied breach of the MID or an IDX Representation and Warranty.

The termination provisions are set out in full in clause 15 of the MID.

13.5 Deed Poll

On 20 September 2024, IDX executed the Deed Poll in favour of Scheme Shareholders, under which, subject to the Scheme becoming Effective, IDX undertakes in favour of each Scheme Shareholder to provide the Scheme Consideration for each Scheme Share, being 0.12849 New IDX Shares for every one Scheme Share held by a Scheme Shareholder. The Deed Poll may be relied upon by any Scheme Shareholder despite the fact that they are not a party to it and each Scheme Shareholder appoints Capitol as its agent to enforce their rights under the Deed Poll against IDX.

The Deed Poll is at Annexure 4 to this Scheme Booklet.

13.6 Variation Agreement

As announced to ASX on 18 July 2024, Mr Justin Walter and Capital Radiology Pty Ltd have agreed to vary the terms of Mr Walter's current employment agreement, with effect from the Implementation Date to align with new responsibilities and duties as the Chief Integration Officer of the Merged Group.

With effect from the Implementation Date, Mr Walter will be employed in the position of Chief Integration Officer for a period of 2 years. Shortly after the Implementation Date, Mr Walter will be invited to participate in the IDX employee incentive plan, consistent with the terms of the Variation Agreement. The terms of Mr Walter's employment otherwise remain largely unchanged from his current arrangement.

13.7 Disclosure of fees and other benefits

Each of the persons named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet will be entitled to receive professional fees in accordance with their normal basis of charging. Capitol has certain obligations that are contingent upon successful implementation of the Scheme.

If the Scheme is implemented, Capitol expects to pay an aggregate amount of approximately \$7.2 million (exclusive of GST) in transaction costs in connection with the Scheme (excluding the Exertion and Retention Fees of approximately \$1.3 million payable by Capitol). This includes advisory fees, the Independent Expert fees, Investigating Accountant's fees, Capitol Registry fees, Scheme Booklet design, printing and distribution costs and expenses associated with convening and holding the Scheme Meeting. Of this amount, approximately \$2.6 million is expected to be payable by Capitol irrespective of whether or not the Scheme is implemented (excluding the Break Fee that may be payable by Capitol to IDX if the Scheme does not proceed). These amounts do not include the transaction costs that may be incurred by IDX in relation to the Scheme.

13.8 Consents and disclaimers

Each person named in this Section 13 as having given its consent to the inclusion of a statement (including any report) or being named in this Scheme Booklet:

- 13.8.1 has not authorised or caused the issue of this Scheme Booklet;
- 13.8.2 does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than those statements or reports which have been included in this Scheme Booklet with the consent of that person; and
- 13.8.3 to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than a reference to their name and any statements (including any report) which have been included in this Scheme Booklet with the consent of that person.

13.9 Independent Expert

KPMG Financial Advisory Services (Australia) Pty Ltd (as Independent Expert) has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to:

- 13.9.1 be named as the Independent Expert in the form and context in which it is named;
- 13.9.2 the inclusion of the Independent Expert's Report as Annexure 1; and
- 13.9.3 the inclusion in this Scheme Booklet of statements made by the Independent Expert, or said to be based on the Independent Expert's Report, and to all references to those statements, in the form and context in which they are respectively included.

13.10 Investigating Accountant

Ernst & Young Strategy and Transactions Limited (as Investigating Accountant) has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to:

- 13.10.1 be named as the Investigating Accountant in the form and context in which it is named; and
- 13.10.2 the inclusion of the Independent Limited Assurance Report as Annexure 2.

13.11 IDX

IDX has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to:

- 13.11.1 be named in this Scheme Booklet in the form and context in which it is named; and
- 13.11.2 the inclusion in this Scheme Booklet of IDX Information in the form and context in which it appears.

13.12 Advisers and Share Registry

Citigroup Global Markets Australia Pty Limited has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Capitol's financial Adviser in the form and context in which it is named.

Maddocks has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Capitol's legal Adviser in the form and context in which it is named.

Ernst & Young has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Capitol's tax Adviser with respect to the proposed merger with IDX in the form and context in which it is named.

Computershare Investor Services Pty Ltd ABN 48 078 279 277 has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Capitol's share registry in the form and context in which it is named.

Deloitte Touche Tohmatsu has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as having audited Capitol's consolidated financial statements for FY24, in the form and context in which it is named.

PricewaterhouseCoopers has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as having audited IDX's consolidated financial statements for FY24, in the form and context in which it is named.

13. ADDITIONAL INFORMATION CONTINUED

13.13 Foreign disclaimers

No action has been taken to register or qualify the New IDX Shares or otherwise permit a public offer of such securities in any jurisdiction outside Australia.

Based on the information available to IDX, Capitol Shareholders whose addresses are shown in the Capitol Share Register on the Scheme Record Date as being in the following jurisdictions will be entitled to receive this Scheme Booklet and have the New IDX Shares issued to them under the Scheme subject to any qualifications set out below in respect of that jurisdiction:

13.13.1 Australia and its external territories;

13.13.2 New Zealand; and

13.13.3 any other jurisdiction in respect of which IDX determines that it is lawful and not unduly onerous or impracticable to issue Scheme Shareholders with New IDX Shares when the Scheme becomes Effective.

13.13.4 New Zealand

This Scheme Booklet is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the *Financial Markets Conduct Act 2013* or any other New Zealand law. The offer of New IDX Shares under the Scheme is being made to Capitol Shareholders with registered addresses in New Zealand in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021 and, accordingly, this Scheme Booklet is not a product disclosure statement under the *Financial Market Conducts Act 2013* and may not contain all the information that a disclosure document is required to contain under New Zealand law.

13.14 Supplementary information

Capitol will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

13.14.1 a material statement in this Scheme Booklet is false or misleading;

13.14.2 a material omission from this Scheme Booklet;

13.14.3 a significant change affecting a matter included in this Scheme Booklet; and/or

13.14.4 a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Capitol may circulate and publish any supplementary document including by:

13.14.5 approaching the Court for a direction as to what is appropriate in the circumstances;

13.14.6 placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;

13.14.7 posting the supplementary document on Capitol's website and ASX; and

13.14.8 making a public announcement by way of press release.

ASIC will be provided with an opportunity to review and comment on any supplementary documents prior to their issue by Capitol.

13.15 Regulatory relief

13.15.1 Paragraph 8302(h) of Schedule 8 of the Corporations Regulations

In accordance with regulation 5.1.01(b) and paragraph 8302(h) of Schedule 8 of the Corporations Regulations, this Scheme Booklet is required to set out whether, within the knowledge of the Capitol Directors, the financial position of Capitol has materially changed since the date of the last balance sheet laid before Capitol in general meeting or sent to Capitol Shareholders in accordance with section 314 or 317 of the Corporations Act (being 30 June 2023), as well as the full particulars of the changes.

ASIC has granted in-principle relief from this requirement so that this Scheme Booklet only needs to set out whether, within the knowledge of the Capitol Directors, the financial position of Capitol has materially changed since 30 June 2024 (being the last date of the period to which the financial statements for the year ended 30 June 2024 relate).

A copy of the financial report of Capitol for FY24 was announced to ASX on 22 August 2024 and is available on the ASX website (www.asx.com.au). Capitol Shareholders can obtain a copy of Capitol's FY24 financial report free of charge by calling the Scheme Information Line on 1300 441 601 (within Australia) or +61 2 9698 7164 (outside Australia), which is available between 8.30am and 7.00pm, Monday to Friday (excluding public holidays).

13.15.2 Section 250N of Corporations Act

Sections 250N and 315 of the Corporations Act require Capitol to hold its annual general meeting for the financial year ended 30 June 2024 and dispatch its Annual Report for 2024 by no later than 30 November 2024. In view of the Scheme, Capitol has applied to ASIC under the Corporations Act to extend the period within which it would otherwise be required to hold the annual general meeting to 28 February 2025 and to extend the period for dispatch of its annual report until 21 days before the annual general meeting or 31 January 2024, whichever is earlier.

13.16 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, including in the Independent Expert's Report and the information that is contained in the attachments and appendices to this Scheme Booklet, so far as the Capitol Directors are aware, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Capitol Director which has not been previously disclosed to Capitol Shareholders.

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SECTION 14
GLOSSARY

14. GLOSSARY

14.1 Definitions

In this Scheme Booklet, unless the context otherwise requires, the following terms have the meanings shown below:

TERM	MEANING
\$	means the lawful currency for the time being of Australia.
AAS	means the Australian Accounting Standards.
AASB	means the Australian Accounting Standards Board.
ACCC	means the Australian Competition and Consumer Commission.
Adviser	means, in relation to an entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser, or consultant who provides advisory services in a professional capacity and who has been engaged by that entity in connection, directly or indirectly, with the Scheme.
Announcement Date	means the date that Capitol's entry into the MID was announced to ASX by Capitol, being 18 July 2024.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given in clause 1.1 of the MID.
ASX	means ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
ATO	means the Australian Taxation Office.
Break Fee	means \$3,500,000 (exclusive of GST).
Business Day	means a day that is not a Saturday, Sunday, or public holiday in Melbourne or Sydney.
Capitol	means Capitol Health Limited ACN 117 391 812.
Capitol Board	means the board of the Capitol Directors.
Capitol Director	means a director of Capitol.
Capitol Equity Incentives	has the meaning given in clause 1.1 of the MID and for the avoidance of doubt, includes Performance Rights and Options.
Capitol Group	means Capitol and each of its Related Bodies Corporate, and a reference to a 'Capitol Group Member' is to Capitol or any of its Related Bodies Corporate.
Capitol Information	means all information in this Scheme Booklet other than the IDX Information and the information contained in the Independent Expert's Report and the Independent Limited Assurance Report.
Capitol Material Adverse Change	has the meaning given in clause 1.1 of the MID.

14. GLOSSARY CONTINUED

TERM	MEANING
Capitol Plan Rules	means the Capitol Health Limited Employee Incentive Plan Rules adopted by the Capitol Board on 19 November 2018 or the Capitol Employee Incentive Plan Rules adopted by the Capitol Board on 21 June 2023 (as the context requires).
Capitol Prescribed Occurrence	has the meaning given in clause 1.1 of the MID.
Capitol Registry	means Computershare Investor Services Pty Ltd ABN 48 078 279 277.
Capitol Representations and Warranties	has the meaning given in clause 1.1 of the MID.
Capitol Share	means a fully paid ordinary share in the capital of Capitol.
Capitol Share Register	means the register of members of Capitol maintained by Capitol or the Capitol Registry in accordance with the Corporations Act.
Capitol Shareholder	means a person who is registered in the Capitol Share Register as the holder of a Capitol Share.
CGT	means capital gains tax.
CHESS	means the clearing house electronic sub register system for the electronic transfer of securities operated by ASX Settlement Pty Limited and ASX Clear Pty Limited.
Class Ruling	has the meaning given in Section 12.2.
Competing Proposal	has the meaning given in clause 1.1 of the MID.
Condition	means a condition precedent to the MID and the Scheme becoming Effective as set out in clause 3.1 of the MID.
Control	has the meaning given in section 50AA of the Corporations Act, disregarding section 50AA(4).
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	means the <i>Corporations Regulations 2001</i> (Cth).
Court	means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by the parties.
Deed Poll	means the deed poll in the form or substantially in the form of Annexure 4.
EBITDA	means earnings before interest, tax, depreciation and amortisation.
Effective	means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	means the date on which the Scheme becomes Effective.

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TERM	MEANING
Encumbrances	includes mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the <i>Personal Properties Securities Act 2009</i> (Cth)) and interests of third parties of any kind, whether legal or otherwise.
End Date	the date that is 9 months after the date of the MID, being 18 April 2025, or such other date as agreed between IDX and Capitol.
Exclusivity Period	means the period from and including 18 July 2024 and ending on the earlier of: <ul style="list-style-type: none"> (a) the date of termination of the MID; (b) the End Date; and (c) the Effective Date.
Exertion Payments	has the meaning given in Section 13.2.5.
FAQ	means a question (and its corresponding answer) under the heading 'Frequently Asked Questions' in Section 5 of this Scheme Booklet.
Final Dividend	means the dividend of \$0.003987 per Capitol Share, announced by Capitol on 27 August 2024.
FY22	means the financial year ended 30 June 2022.
FY23	means the financial year ended 30 June 2023.
FY24	means the financial year ended 30 June 2024.
FY25	means the financial year ending 30 June 2025.
FY26	means the financial year ending 30 June 2026.
Government Agency	means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government whether foreign or Australian.
GST	means a goods and services tax or similar value added tax levied or imposed under the GST Law.
GST Law	has the meaning given to it in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
IDX	means Integral Diagnostics Limited ACN 130 832 816.
IDX Board	means the board of the IDX Directors.
IDX Director	means a director of IDX.
IDX Group	means IDX and each of its Related Bodies Corporate, and a reference to an 'IDX Group Member' is to IDX or any of its Related Bodies Corporate.

14. GLOSSARY CONTINUED

TERM	MEANING
IDX Information	means information regarding the IDX Group and the Merged Group provided by IDX to Capitol in writing for inclusion in this Scheme Booklet, being the information set out in the Letter from the Chair of IDX, Sections 9, 10, 11.3, 11.4 and 13.13 and FAQs 4, 5, and 53 to 59 (excluding any information provided by Capitol to IDX or obtained from Capitol's announcements on ASX regarding the Capitol Group contained in, or used in the preparation of, the information regarding the Merged Group). For the avoidance of doubt, the IDX Information excludes the Capitol Information, the Independent Expert's Report and the Independent Limited Assurance Report.
IDX Material Adverse Change	has the meaning given in clause 1.1 of the MID.
IDX Prescribed Occurrence	has the meaning given in clause 1.1 of the MID.
IDX Registry	means Computershare Investor Services Pty Ltd ABN 48 078 279 277.
IDX Representations and Warranties	has the meaning given in clause 1.1 of the MID.
IDX Share	means a fully paid ordinary share in IDX.
IDX Share Register	means the register of members of IDX maintained by IDX or the IDX Registry in accordance with the Corporations Act.
IDX Shareholder	means a person who is registered in the IDX Share Register as the holder of an IDX Share.
IFRS	means the International Financial Reporting Standards.
Implementation Date	means the date which is 5 Business Days after the Scheme Record Date or such other date as Capitol and IDX may agree in writing.
Independent Expert	means KPMG Financial Advisory Services (Australia) Pty Ltd.
Independent Expert's Report	means the report from the Independent Expert in respect of the Scheme, a copy of which is set out in Annexure 1.
Independent Limited Assurance Report	means the report from the Investigating Accountant in respect of the Merged Group Pro Forma Historical Financial Information, a copy of which is set out in Annexure 2.
Ineligible Shareholder	means an: <ul style="list-style-type: none"> (a) Ineligible Foreign Shareholder; or (b) Unmarketable Parcel Shareholder that has not validly elected to receive the Scheme Consideration by completing (and returning before the Effective Date) an election form available from the Capitol Registry.
Ineligible Foreign Shareholder	means a Scheme Shareholder whose address shown in the Capitol Share Register on the Scheme Record Date is a place outside Australia and its external territories or New Zealand, unless IDX determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New IDX Shares when the Scheme becomes Effective.

TERM	MEANING
Investigating Accountant	means Ernst & Young Strategy and Transactions Limited.
IOP	has the meaning given in Section 10.2.3.
IOP JV Partner	has the meaning given in Section 10.2.3.
Last Practicable Date	means 17 September 2024, being the last practicable trading day prior to finalising the information in this Scheme Booklet.
Listing Rules	means the official listing rules of ASX, as amended, waived or modified from time to time.
LTI	has the meaning given in Section 8.9.2.
Matching Right	means IDX's right to match a Superior Proposal under clause 12.6 of the MID, as summarised in Section 13.4.
Merged Group	means the combination of the IDX Group and the Capitol Group, as comprised by IDX and its Subsidiaries following implementation of the Scheme.
MID	means the merger implementation deed entered into between Capitol and IDX on 18 July 2024. A summary of the MID is set out in Section 13.4. A full copy of the MID is attached to the Capitol ASX announcement of 18 July 2024, which is available on the ASX website (https://www.asx.com.au/).
MRI	means Magnetic Resonance Imaging.
Net Proceeds	means the proceeds of the sale of New IDX Shares via the Sale Agent after deduction of any applicable brokerage, stamp duty and other costs, taxes and charges.
New IDX Share	means an IDX Share to be issued under the Scheme.
Notice of Scheme Meeting	means the Notice of Scheme Meeting and the explanatory notes that form part of that notice as set out at Annexure 5.
NPAT	means net profit or loss after tax.
Operating EBITDA	means profit or loss before depreciation and amortisation, net finance costs, income tax and prior to significant non-operating items including changes in fair value of financial assets and liabilities, impairment of non-current assets, transaction and restructure costs, and unrealised foreign exchange gain/(loss).
Operating NPAT	means statutory net profit or loss after tax, excluding tax effected non-operating items.
Option	means an option to acquire a Capitol Share issued by Capitol pursuant to the terms of the Capitol Plan Rules.
Process Deed	means the Process Deed entered into between Capitol and IDX on 17 June 2024.
Performance Right	means a performance right issued by Capitol pursuant to the terms of the Capitol Plan Rules.

14. GLOSSARY CONTINUED

TERM	MEANING
Proxy Form	means the proxy form that is dispatched to Capitol Shareholders in accordance with the orders of the Court or is available from the Capitol Registry.
Related Bodies Corporate	has the meaning given to that term in section 50 of the Corporations Act.
Related Persons	has the meaning given in clause 1.1 of the MID.
Relevant interest	has the meaning given to that term by sections 608 and 609 of the Corporations Act.
Requisite Majorities	means: <ul style="list-style-type: none"> (a) at least 75% of the votes cast on the Scheme Resolution by Capitol Shareholders present and voting at the Scheme Meeting (in person, or by proxy, corporate representative or attorney); and (b) a majority in number (more than 50%) of Capitol Shareholders present and voting (in person, or by proxy, corporate representative or attorney) at the Scheme Meeting.
Reverse Break Fee	means \$3,500,000 (exclusive of GST).
Sale Agent	means a person appointed by IDX, to sell the New IDX Shares, to which Ineligible Shareholders would have been entitled under the Scheme but for the operation of clauses 5.3 and 5.4 of the Scheme.
Scheme	means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between Capitol and the Capitol Shareholders, in the form at Annexure 3, together with any alterations or conditions made or required pursuant to section 411(6) of the Corporations Act and agreed or consented to in writing by Capitol and IDX.
Scheme Booklet	means this document and all Annexures.
Scheme Consideration	means 0.12849 New IDX Shares for every one Scheme Share held by a Scheme Shareholder.
Scheme Information Line	means the scheme information line on 1300 441 601 (within Australia) or +61 2 9698 7164 (outside Australia), which is available between 8.30am and 7.00pm, Monday to Friday (excluding public holidays).
Scheme Meeting	means the meeting of Capitol Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in relation to the Scheme, including any adjournment or postponement of that meeting.
Scheme Record Date	means 7.00pm on the day which is two Business Days after the Effective Date, or any other date (after the Effective Date) agreed by Capitol and IDX to be the record date to determine entitlements to receive Scheme Consideration under the Scheme.
Scheme Resolution	means the resolution to approve the Scheme to be voted on at the Scheme Meeting, as set out in the Notice of Scheme Meeting.
Scheme Shareholders	means each person who is a Capitol Shareholder as at the Scheme Record Date (excluding any member of IDX to the extent that any such member becomes the registered holder of any Capitol Shares).
Scheme Shares	means each Capitol Share held by a Scheme Shareholder on the Scheme Record Date.

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TERM	MEANING
Second Court Date	means the first day of hearing of an application made to the Court by Capitol for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing, with such hearing the Second Court Hearing .
Section	means a section of this Scheme Booklet.
STI	means short term incentive provided by Capitol.
Subsidiary	has the meaning given to that term in the Corporations Act.
Superior Proposal	has the meaning given in clause 1.1 of the MID.
Underlying NPAT	means statutory NPAT adjusted for significant non-operating items.
Unmarketable Parcel Shareholder	means a Scheme Shareholder who, based on their holding of Scheme Shares would, on implementation of the Scheme, be entitled to receive less than a marketable parcel (as that term is defined in the ASX Listing Rules) of New IDX Shares (assessed by reference to the price of IDX Shares on ASX at the close of trade on the trading day prior to the Scheme Record Date) as Scheme Consideration.
Variation Agreement	means the variation agreement entered into between Mr Justin Walter and Capital Radiology Pty Ltd dated 18 July 2024.
VWAP	means the volume weighted average price.

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ANNEXURE 1
INDEPENDENT
EXPERT'S REPORT

ANNEXURE 1 INDEPENDENT EXPERT'S REPORT



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The Directors
Capitol Health Limited
Level 2, 288 Victoria Parade
East Melbourne, VIC, 3002

23 September 2024

Dear Directors

Independent Expert Report and Financial Services Guide

Part One – Independent Expert Report

1 Introduction

On 17 June 2024, Capitol Health Limited (**Capitol**) announced that it had entered into a process and exclusivity deed (**Process Deed**) with Integral Diagnostics Limited (**Integral**), following Integral submitting a conditional, non-binding indicative merger proposal to acquire 100% of Capitol's issued shares.

Subsequently, on 18 July 2024, Capitol announced that it had entered into a binding Merger Implementation Deed (**MID**) with Integral in relation to the proposal for Integral to acquire 100% of Capitol's issued shares via a scheme of arrangement (the **Scheme**).

If the Scheme is approved and implemented, Capitol shareholders (**Capitol Shareholders**) will receive 0.12849 Integral shares for every Capitol share (**Scheme Consideration**). Following implementation of the Scheme, Capitol Shareholders will own approximately 37%¹ of the combined Integral and Capitol group (**Merged Group**).

On 27 August 2024, Capitol declared a dividend of 0.3987 cents per Capitol share, which is expected to be paid on 21 October 2024, which is before the expected Scheme implementation date.

¹ Based on 234.0 million Integral shares on issue and assuming 1,072.6 million Capitol shares on issue on the Scheme Record Date (defined below). The total number of new Integral Shares that Integral will issue under the Scheme is 137.8 million and is calculated based on the Scheme Consideration of 0.12849 new Integral Shares for each Capitol Share. Accordingly, the number of Integral Shares on issue on implementation of the Scheme will be 371.8 million. Scheme Record Date: 7.00pm on the day which is two business days after the Effective Date (the date on which the Scheme becomes Effective), or any other date (after the Effective Date) agreed by Capitol and Integral to be the record date to determine entitlements to receive Scheme Consideration under the Scheme.

ANNEXURE 1 INDEPENDENT EXPERT'S REPORT CONTINUED



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The Scheme is subject to certain customary terms and conditions for a transaction of this nature (as set out in the MID) including an independent expert concluding that the Scheme is in the best interests of Capitol Shareholders, in the absence of a Superior Proposal (as that term is defined in the MID).

The Directors of Capitol have requested that KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) prepare an independent expert report setting out whether the Scheme is in the best interests of Capitol Shareholders.

This report outlines KPMG Corporate Finance's opinion as to the merits or otherwise of the Scheme. This report should be considered in conjunction with and not independently of the information set out in the Notice of Meeting and Explanatory Statement (**Scheme Booklet**).

The Scheme is subject to the satisfaction of a number of conditions which are set out in Section 5.1 of this Report and Section 13.4.1 of the Scheme Booklet.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

1.1 **Capitol**

Capitol is a specialist diagnostic imaging services company, listed on the Australian Securities Exchange (**ASX**). It owns and operates 61 clinics² across Victoria (**VIC**), Western Australia (**WA**), Tasmania (**TAS**) and South Australia (**SA**). The company conducts over 1.5 million examinations annually, supported by its team of more than 1,000 staff, including approximately 100 radiologists.

Prior to the announcement of the Process Deed, the Capitol market capitalisation was \$263.2 million³.

1.2 **Integral**

Integral is a healthcare services provider that specialises in diagnostic imaging services in Australia and New Zealand (**NZ**). Integral conducts over 2.5 million examinations annually across its 90 clinics. As at 30 June 2024, Integral employs 155 radiologists (with a further 88 contractor radiologists) and 1,822 non-radiologist employees. Integral also offers remote radiology interpretation services through IDXt, its overflow and after hours teleradiology platform.

Prior to the announcement of the Process Deed, the Integral market capitalisation was \$594.4 million⁴.

2 **Requirement of our report**

The Directors of Capitol have requested that KPMG Corporate Finance prepare a report in accordance with Section 411 of the Corporations Act 2001 (**Cth**) (**Act**) and the guidance provided by the Australian Securities and Investments Commission (**ASIC**). Although there is no technical requirement for an independent expert report to be prepared in relation to the Scheme, the Directors of Capitol have requested that KPMG Corporate Finance opine on whether the Scheme is in the best interests of Capitol Shareholders.

² As at 30 June 2024, Capitol operated 65 clinics.

³ Based on 14 June 2024 closing price of \$0.245 multiplied by 1,074.4 million Capitol shares on issue.

⁴ Based on 14 June 2024 closing price of \$2.54 multiplied by 234.0 million Integral shares on issue.



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Further, ASIC Regulatory Guide 60 (**RG 60**) notes that even if an expert report is not required under the Corporations Regulations, it is common for a scheme company to commission a report voluntarily for a transaction that is complex or effects a takeover. The report prepared by the expert must state whether, in the expert's opinion, the proposed scheme of arrangement is in the best interests of the members of the body as a whole and set out the expert's reason(s) for forming that opinion.

Further details regarding the basis of our assessment are set out in Section 6.2 of this report.

3 Summary of Opinion

3.1 Summary

In our opinion, the Scheme is in the best interests of Capitol Shareholders, in the absence of a Superior Proposal.

In arriving at this opinion, we have assessed whether the Scheme is:

- **fair**, by comparing our assessed value of the Scheme Consideration (based on the value of an Integral share on a minority basis) to our assessed value of the equity of Capitol, on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111 'Content of Expert Reports' (**RG111**)
- **reasonable**, by assessing the implications of the Scheme for Capitol Shareholders, the alternatives to the Scheme which are available to Capitol and Capitol Shareholders, and the consequences for Capitol Shareholders of not approving the Scheme.

Based on our assessment, we have formed the view that the Scheme is fair and reasonable. As such, consistent with RG 111, we have concluded that the Scheme is in the best interests of Capitol Shareholders, in the absence of a Superior Proposal.

In forming our view as to the value of Capitol and the Scheme Consideration, we have considered a series of factors including earnings profiles, size, market position and growth prospects. As required by RG 111, we have valued Capitol on a controlling interest basis and the Scheme Consideration (Integral shares) on a minority interest basis. This is required because Integral is obtaining control of Capitol, and Capitol Shareholders are receiving consideration in the form of a share in Integral. The listed market price of Integral shares will reflect a portfolio (minority) interest rather than a controlling interest.

The decision of whether or not to approve the Scheme is a matter of individual Capitol Shareholders based on their views as to value, expectations about future market conditions and their particular circumstances including investment strategy and portfolio, risk profile and tax position. Capitol Shareholders should consult their own professional adviser, if in doubt, regarding the action they should take in relation to the Scheme.

3.2 Background

Capitol's corporate history

Capitol was established in December 2005 and listed on the ASX in June 2006. At the time, the company's principal business activity was operating dental surgery facilities.

In July 2007, the company broadened its healthcare focus into diagnostic imaging with the acquisition of the Radiology Group (seven clinics). Later the same year (December 2007), Capitol divested its three dental surgery clinics making a strategic shift to focus on diagnostic

ANNEXURE 1 INDEPENDENT EXPERT'S REPORT CONTINUED



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imaging. This change in strategy was driven by the growth prospects of the Australian diagnostic imaging sector.

Core to Capitol's strategy has been increasing scale through a combination of acquisitions, organic growth, greenfield and brownfield developments, a gradual shift to higher end modalities (i.e. magnetic resonance imaging (**MRI**) and computerised tomography (**CT**)); and leveraging operating efficiencies. This strategy has led to Capitol incrementally establishing a network of 61 clinics⁵ and has delivered significant revenue growth, from \$1.5 million in the financial year ending 30 June 2007 (FY07) to \$234.8 million in FY24.

Until FY19, although the business had historically exhibited strong growth, most of it came from acquisitions rather than organic growth, which had underperformed the industry.

In July 2019, Capitol appointed Justin Walter, as Managing Director and Chief Executive Officer (**CEO**) and within his first year (FY20) Capitol undertook a review of operational structures, cost to serve and systems. The resultant four year strategic plan was aimed at transforming the company's operations and processes (in particular enhancing clinical governance and excellence), improving talent acquisition and retention, investing in operating systems and new comprehensive clinics, implementing a standardised operating model and gaining market share.

Consistent with the broader industry, the business was significantly impacted by the COVID-19 pandemic over the FY20 to FY22 period, with FY22 experiencing particularly severe disruptions due to the persistent effects of the pandemic.

FY23 was impacted by a high inflationary environment, increased labour costs and challenging industry conditions (i.e. disrupted general practitioner (**GP**) workforce, constrained GP visitation activity, staff shortages and high staff absenteeism related to COVID-19).

Whilst the business was significantly impacted by COVID-19 and the post-pandemic macro-economic environment, implementation of the four year strategic plan led to organic revenue growth, costs savings and margin expansion. In this regard, between FY20 and FY24, while the average number of clinics remained relatively stable (from 63.0 on average in FY20 to 65.5 on average in FY24⁶), revenue per clinic grew by 47%⁷ and Operating EBITDA after cash lease costs (Operating EBITDA pre-AASB16)⁸ per clinic increased by 20%⁹, driven by a number of factors, including: the full contribution of recent acquisitions (Direct Radiology, Womens' Imaging and Future Medical Imaging Group (**FMIG**)), Medicare bulk bill fee indexation, strong organic growth through a recovery in volumes, expansion of services and a shift to higher end modalities. Improved Operating EBITDA margins after cash lease costs were driven by increased scale, continued management of the cost base, and delivery of initiatives to enhance operational efficiencies.

Capitol's outlook is positive with further near term revenue growth and margin expansion expected to be underpinned by: (i) recent developments that support volumes, including immigration, increased Medicare funding (i.e. deregulation of MRI licenses leading to higher demand for MRIs and increased access by patients) and the higher GP bulk billing incentive

⁵ As at 30 June 2024, Capitol operated 65 clinics.

⁶ Based on an average of opening and closing number of clinics for each financial year.

⁷ From \$2.44 million revenue per clinic in FY20 to \$3.58 million revenue per clinic in FY24.

⁸ Operating EBITDA (pre-AASB16) refers to Operating EBITDA after cash lease payments.

⁹ From \$0.44 million EBITDA (pre-AASB16) per clinic in FY20 to \$0.53 million EBITDA (pre-AASB16) per clinic in FY24.



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announced in November 2023; coupled with (ii) a shift in mix to higher modalities and Medicare indexation (3.5% from 1 July 2024).

However, industry consolidation is expected to continue in order to support scale and management of a high fixed cost base. The top five diagnostic imaging players in Australia hold a combined market share of approximately 62% (based on industry revenue) compared to 45% six years ago (refer to Appendix 3). Therefore, Capitol's ability to achieve further growth and margin improvement is dependent on its capacity to continue to scale its operations and compete with larger players.

Capitol and Integral's history

In early 2017, Capitol and Integral engaged in several months of discussions regarding a potential merger, without either party conducting due diligence. At that time, Capitol and Integral were unable to agree on a number of issues, including governance for the merged group, and the Integral Board assessed that a merger was not value accretive and as such, discussions failed to progress. Notwithstanding, Capitol remained convinced of the merger benefits and in November 2017, announced an unsolicited, hostile takeover offer for Integral. The Integral Board unanimously recommended that Integral Shareholders reject Capitol's takeover offer (as the offer was deemed to be opportunistic and did not reflect the inherent value of Integral) and ultimately the transaction did not proceed.

Since then, the management teams and the boards of both companies have changed and both companies have grown and evolved. Many of the merger benefits previously identified remain valid, and hence Integral approached Capitol in relation to a merger of the two companies. Following due diligence, the companies entered into a MID on 18 July 2024.

The Capitol Board unanimously recommend that Capitol Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, and subject to an independent expert concluding and continuing to conclude that the Scheme is in the best interests of Capitol Shareholders.

It is in this context that KPMG Corporate Finance has assessed the Scheme as discussed below.

3.3 The Scheme is fair

We have assessed the value of a Capitol share to be in the range \$0.278 to \$0.325. This is comparable to the Scheme Consideration to be received under the Scheme which we have assessed to be in the range of \$0.321 to \$0.347. As the Scheme Consideration falls within or above our assessed value range for a Capitol share, we consider the Scheme to be fair. Our valuation is set out in Section 11 of this report and the assessment of fairness is summarised on the following page.

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Table 1: Valuation summary

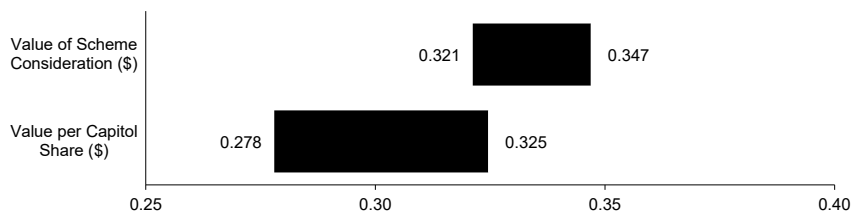
\$m (unless otherwise stated)	Section reference	Value range	
		Low	High
Assessed value of Capitol			
Enterprise value (on a control basis)	11.3	390.0	440.0
Less: net debt	11.5	(58.8)	(58.8)
Less: joint venture minority interests	11.6	(33.1)	(33.1)
Equity value (on a control basis)		298.2	348.2
Fully diluted number of Capitol shares on issue (million)	8.7.1	1,072.6	1,072.6
Value per Capitol Share (\$)		0.278	0.325
Assessed value of Scheme Consideration			
Selected value per Integral share (minority interest basis)	12.1	2.50	2.70
Exchange ratio		0.12849	0.12849
Value of Scheme Consideration (\$)		0.321	0.347

Source: KPMG Corporate Finance analysis

Note: Numbers may not add exactly due to rounding

A comparison of our assessed value per Capitol share on a control basis to our assessed value of the Scheme Consideration is illustrated below.

Figure 1: Assessment of fairness



Source: KPMG Corporate Finance analysis

The value of a Capitol share and the Scheme Consideration have each been presented as a range and any point within that range is considered an acceptable estimate of value.

Our assessment of fairness is prepared on a cum-dividend basis (inclusive of both Capitol and Integral's FY24 final dividends).

Assessment of the value of Capitol

Our valuation reflects 100% ownership of Capitol and incorporates a control premium. Therefore, we would expect the valuation to exceed the prices at which Capitol shares would trade on the ASX in the absence of a takeover offer. In assessing an appropriate premium for control in accordance with RG 111, we have only considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Capitol. As such, we have not included the value of special benefits that may be unique to Integral.

We have adopted a capitalisation of maintainable earnings (**Capitalised Earnings**) as our primary methodology to value the shares in Capitol, taking into consideration:

- the expected maintainable earnings of Capitol, acknowledging the impact of one-off costs and significant items incurred historically

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- our assessment of an appropriate earnings multiple to be applied to the selected maintainable earnings, which reflects the nature of the business, its size, growth expectations, risks, exposure to the economic environment and the outlook for the sector
- a control premium to reflect opportunities for cost savings and synergies available to a number of acquirers that have existing operations in Australia
- the net debt of the business
- other adjustments, including Capitol's joint venture minority interests. These adjustments are detailed in Section 11.6.

We have adopted a Discounted cash flow (**DCF**) as our secondary methodology to value the shares in Capitol, taking into consideration:

- expected revenue growth of the business over the next five years and into perpetuity
- expected operating costs and Operating EBITDA margins after cash lease costs over the forecast period. Operating EBITDA after cash lease costs is also referred to as **Operating EBITDA (pre-AASB16)** in this report
- capital expenditure and net working capital requirements
- an appropriate discount rate for the business reflecting the time value of money and the risk associated with the forecast cash flows.

We have cross-checked our valuation of Capitol by comparing it to the trading analysis pre-announcement of the Process Deed. The range derived from our primary and secondary methodologies implies a control premium of 13% to 32% over the trading price of Capitol shares, which is broadly consistent with the observations from transaction evidence that indicate that takeover premiums generally range from 25% to 40%¹⁰ for completed takeovers depending on the individual circumstances.

Assessment of the value of the Scheme Consideration

We have valued the Scheme Consideration based on market evidence of trading prices of Integral shares on the ASX (post the announcement of the Process Deed) as our primary methodology. To cross-check this methodology, we have compared Integral's implied Operating EBITDA multiples (pre-AASB16) to a set of broadly comparable companies.

The key factors considered in our assessment of the value of the Scheme Consideration are set out below:

- the listed price of Integral shares is likely to represent a reasonable proxy for the amount that a Capitol shareholder could expect to realise if they immediately liquidated their shares following implementation of the Scheme
- Integral is a sufficiently liquid stock. Since the announcement of the Process Deed, 24.6%¹¹ of the issued share capital has been traded in the market

¹⁰ RSM "Control Premium Study 2021".

¹¹ Between 17 June 2024 and 13 September 2024.

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- the size of the expected synergies is likely to be at least comparable or exceed the dilutionary impact on Integral shares of paying a control premium for Capitol.

Based on our analysis, we consider the market value of an Integral share to be between \$2.50 and \$2.70 and therefore our assessed value of the Scheme Consideration to be between \$0.321 and \$0.347.

Our assessment of the Scheme Consideration is based on information available at the date of this report. Assumptions underlying our assessment, in particular, the estimated trading price of Integral shares, may change. As such, we have included a sensitivity table to indicate how the implied value of the Scheme Consideration may vary.

Table 2: Sensitivity of the Scheme Consideration to the Integral share price

\$ per share							
Indicative share price of Integral	2.30	2.40	2.50	2.60	2.70	2.80	2.90
Value of Scheme Consideration ¹	0.296	0.308	0.321	0.334	0.347	0.360	0.373

Source: KPMG Corporate Finance analysis

Note 1: Based on the exchange ratio 0.12849 Integral shares for every Capitol share

Under a hypothetical merged entity scenario, investors who intend to sell their Integral shares after they receive them may receive a different value, depending on the sale price achieved at the time of sale.

Any decision by Capitol Shareholders to hold Integral shares beyond the short term is a separate investment decision. It is not possible to accurately forecast or reflect any future share price movements and/ or performance metrics of a hypothetical merged entity. Any decision to hold Integral shares should be made by Capitol Shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.

3.4 The Scheme is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Scheme to be fair, this means that the Scheme is reasonable. However, we have also considered a range of other factors that are relevant to assessing the reasonableness of the Scheme as follows.

3.4.1 Advantages

The implied Scheme Consideration represents a substantial premium to the trading price of Capitol

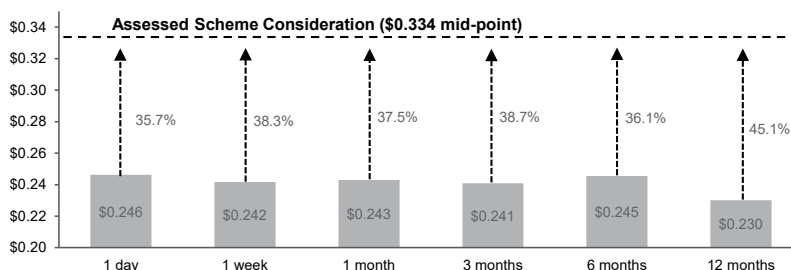
The assessed Scheme Consideration of \$0.321 to \$0.347 represents a 35.7% premium (based on a \$0.334 mid-point) to the last undisturbed closing price (on 14 June 2024) prior to the announcement of the Process Deed. The premium is broadly consistent when calculated over the 1 day, 1 week, 1 month, 3 months and 6 months volume weighted average price (VWAP). The assessed Scheme Consideration represents a 45.1% premium over the 12 months VWAP.

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Figure 2: Premium of Scheme Consideration over the Capitol share price



Source: IRESS and KPMG Corporate Finance analysis

With regards to our assessment of the premium implied by the Scheme Consideration, we note:

- it is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by trading prices of a share to reflect their ability to obtain control over the target’s strategy and operations, as well as extract synergies from integration. Observations from transaction evidence indicate that takeover premiums generally range from 25% to 40%¹² for completed takeovers depending on the individual circumstances. In transactions where it was estimated that significant synergies could be achieved, the takeover premium was frequently estimated to be at the high end of this range or greater
- the premium offered by Integral over Capitol’s trading price likely reflects a combination of the benefits available from control and synergies predominantly through the cost savings available.

The Scheme Consideration provides the ability for Capitol Shareholders to participate in the larger Merged Group

The scale of operations of the Merged Group will increase considerably with a more geographically diversified portfolio of 15 clinics across Australia and NZ, supported by approximately 350 radiologists and approximately 3,000 employees¹³. The Merged Group will have a pro-forma FY24 revenue and Operating EBITDA after cash lease costs of \$705 million and \$106 million, respectively, excluding \$10 million of anticipated annual pre-tax net cost synergies. The Merged Group revenue is more than triple the revenue of Capitol on a standalone basis as at 30 June 2024, and more than double the corresponding Operating EBITDA after cash lease costs. The following benefits are expected from the enhanced operational and financial scale of the Merged Group:

- improved ability to attract and retain highly skilled radiologists, sonographers and clinical staff
- clinical and doctor productivity gains
- more opportunities for cross-referral of specialist radiology services

¹² RSM “Control Premium Study 2021”.
¹³ Based on FY24 clinics, radiologists and employees.

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- a wider breadth of patient services to be provided
- opportunities to secure additional national contracts through enhanced geographical coverage
- increased opportunity to invest in technology and artificial intelligence
- significant clinical and non-clinical procurement benefits, and
- opportunity to deploy Integral's teleradiology platform, IDxT, within the Merged Group.

Scale is typically a substantial advantage for radiology and healthcare companies for a number of reasons. Diagnostic imaging companies have a high fixed cost base and hence scale enables some absorption of fixed costs. Furthermore, the limited supply of radiologists and sonographers, sticky local referral networks and current MRI licensing regulatory environment tend to benefit scale operators.

Due to its increased size and market position, the Merged Group may attract an increased level of investor interest, supporting the liquidity of the share trading.

Furthermore, given the complementary business operations and geographic coverage, Integral is able to fully maximise certain cost synergies such as duplication of roles and functions.

Enhanced financial capability and flexibility as a Merged Group

The enhanced scale of the Merged Group will allow greater flexibility and opportunity to pursue growth initiatives, including increased capacity to invest in higher modality services (such as MRI, CT and positron emission tomography (PET)) and undertake further acquisitions. The Merged Group is expected to have greater flexibility and access to capital to fund future opportunities, than Capitol (or Integral) would have on a standalone basis.

Revenue diversification

The Merged Group, when compared to Capitol, may benefit from diversification associated with a more balanced weighting of hospital sites and reduced reliance on GP referrals and bulk billing.

Geographical diversification

There is minimal overlap between Integral and Capitol's existing geographical footprint as Integral clinics are predominantly located in regional areas whilst Capitol clinics are located in mostly metro areas. The Merged Group will therefore benefit from greater diversification across both regional and metro, while maintaining geographic concentration in select states.

No alternative proposal has been presented to the market and the likelihood of an alternative proposal emerging at this time is considered to be low

At the date of the report, the Scheme represents the only opportunity for Capitol Shareholders to monetise their investment at a premium to the pre-announcement trading prices should they wish to trade their Integral shares immediately on issue.

Under the Scheme, Capitol is restricted from either soliciting or entering into discussions with third parties in relation to alternative proposals. Capitol is also required to notify Integral should it become aware of any possible alternative proposal and Integral has matching rights.



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Although the likelihood of a superior alternative proposal is impacted by these terms, it does not preclude an alternative proposal from being made. Capitol has confirmed that the company has not received an alternative offer.

Capitol's share price might fall in the absence of the Scheme

The current share price of Capitol reflects the terms of the Scheme and therefore includes a control element. As such, in the absence of the Scheme, an alternative proposal or speculation concerning an alternative proposal, the Capitol share price may fall to levels consistent with trading prices prior to the announcement of the Process Deed, with allowance for any company specific initiatives or financial achievements in the subsequent period which the market might assess as value enhancing, and the impact of trends in broader equity markets.

The Scheme Consideration provides the ability for Capitol Shareholders to share in the available synergies of the Merged Group

As outlined in the Scheme Booklet, Integral management anticipate that there are considerable opportunities within the Merged Group to capture significant recurring benefits. Integral has identified potential near term pre-tax net cost synergies of approximately \$10 million per year, which are expected to be achieved within the first two years following implementation. These mainly relate to the consolidation of overlapping corporate function costs, listed company costs, indirect procurement and clinical costs; and other potential administrative synergies.

Furthermore, Integral intends to pursue potential revenue synergies (not included in the above estimate) from doctor productivity improvements (such as sub-specialisation of radiologists) and network benefits (such as cross-referral of radiology services).

Capitol's recent successful integration of acquired businesses and improved financial performance may be attributed, in part, to management under the leadership of current CEO and Managing Director, Justin Walter. Mr Walter will transition to the role of Chief Integration Officer of the Merged Group, where he will be responsible for driving the successful integration of the two businesses.

3.4.2 *Disadvantages*

There is uncertainty associated with the value of the Scheme Consideration offered

The actual value of the Scheme Consideration is uncertain and dependent on the share price of Integral at the completion of the Scheme. If the Scheme is approved and implemented, Capitol Shareholders that hold their Integral shares in the longer term, will be exposed to uncertainty regarding the future value of scrip held in the Merged Group.

Each Capitol Shareholder's decision whether or not to vote in favour of the Scheme should be regarded as a separate investment decision with regard to their assessment of Integral's (or the Merged Group) risk profile, the individual's risk appetite and their personal circumstances. Further, those Capitol Shareholders seeking immediate liquidity who do not want to be exposed to Integral in the future can sell their shares on the market at a premium compared to Capitol's historical share price.

Diluted exposure to potential Capitol upside

Capitol's share price has been influenced by recent developments in the industry, including a recovery in volumes, increased Medicare funding, a shift in mix to higher modalities; and an easing of inflation and labour costs. While our valuation of Capitol reflects assumptions in relation to the potential upside in financial performance, it is possible that Capitol could achieve

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higher growth rates and improved margins than anticipated. If the Scheme is approved and implemented, Capitol Shareholders will have a diluted exposure to this potential upside if Integral's business underperforms on a relative basis. Refer to Section 8.9 for additional commentary on Capitol's strategy and outlook.

Risks associated with achieving the forecast synergies and integration of the Merged Group

There is a risk that some of the potential synergies of the transaction might not materialise. This will depend on, *inter alia*, the effective and efficient integration of the two companies. There are risks involved in the integration process. The Merged Group's success and profitability could be adversely affected if Capitol's business is not effectively integrated with Integral. There is the risk that synergies may not be realised or may be realised over a time frame that is longer than anticipated or that implementation costs are higher than anticipated.

Industry roll-up and consolidation

Historically the diagnostic imaging industry has been subject to a range of corporate consolidation and private equity roll-ups which have been executed with varying degrees of success.

Whilst these do not reflect the circumstances of the Scheme or future prospects of the Merged Group, they reflect risks that are important to consider when integrating two businesses.

Change in investment profile

Capitol is one of only two listed, pure play radiology players on the ASX. Investors seek exposure to radiology players for their unique industry returns and characteristics. While the Capitol and Integral businesses are complementary, the geographic location and risk profile of the two companies differ on a stand alone basis.

Capitol Shareholders will have increased exposure to the regional markets in which Integral predominantly operates. This market has historically faced a different risk profile, including higher labour costs and lower rates of utilisation. Capitol Shareholders will also be exposed to the NZ market which has a different regulatory environment and funding structures. Additional risks inherent in Integral's global operations include, *inter alia*, the cost and difficulties of managing international operations and associated adverse tax consequences of another jurisdiction.

Capitol Shareholders will have exposure to Integral's hospital contracts, which have not been a focus of Capitol. The risk of losing such contracts, or competitors entering the market may have a negative impact on the Merged Group's revenue and profitability.

The implementation of the Scheme may present a disadvantage if Capitol Shareholders do not want to change their investment profile.

Loss of key personnel

While the Merged Group has secured Mr Walter as Chief Integration Officer, the potential loss of other senior management personnel from the Capitol business could adversely affect the Merged Group and day-to-day operations.

The Merged Group will have higher leverage

Capitol had a net debt to Operating EBITDA (pre-AASB16) ratio of 1.9 times at 30 June 2024 (refer to Section 8.4). The Merged Group is expected to have a ratio of 2.6 times (refer to



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Section 10). The higher ratio could expose Capitol Shareholders to additional risks, including but not limited to:

- reduction in the ability of the Merged Group to pay dividends in the short term
- increase in overall portion of cash from operating activities required to pay financing costs
- reduction in its flexibility to undertake acquisitions given the cash flow requirements to meet higher debt commitments
- increased vulnerability to changes in the economic, credit and financial market conditions that have an adverse effect on the overall borrowing environment.

Contribution to the merger and voting rights

Under the Scheme, Capitol Shareholders will own approximately 37%¹⁴ of the Merged Group post implementation. This compares:

- favourably with Capitol's FY24 Operating EBITDA (pre-AASB16) contribution of \$34.7 million, which represents approximately 33%¹⁵ of the Merged Group Operating EBITDA (pre-AASB16)
- unfavourably with Capitol representation on the Merged Group Board (being two out of eight seats) representing 25% of the votes.

3.5

Other considerations

In forming our opinion, we have also considered a number of other factors as outlined below. Although we do not necessarily consider these factors impact our assessment of the reasonableness of the Scheme, it is appropriate to address these factors in arriving at our opinion.

Taxation implications for Capitol Shareholders

Section 12 of the Scheme Booklet sets out a general description of the tax consequences for Capitol Shareholders who hold their shares on capital account. If the Scheme is implemented, those Capitol Shareholders will be deemed to have disposed of their Capitol shares and the disposal will constitute a capital gain tax event. Capitol Shareholders will make a capital gain or loss depending on the cost base of their shares. Capitol Shareholders who are not Australian residents and who hold portfolio interests are generally not subject to Australian capital gain tax.

Capitol has applied for a class ruling (**Class Ruling**) from the Commissioner of Taxation, to confirm the key Australian income tax consequences of the Scheme. A Class Ruling may not be issued by the Commissioner of Taxation until after the expected Scheme implementation date.

¹⁴ Based on 234.0 million Integral shares on issue and assuming 1,072.6 million Capitol shares on issue on the Scheme Record Date. The total number of new Integral Shares that Integral will issue under the Scheme is 137.8 million and is calculated based on the Scheme Consideration of 0.12849 new Integral Shares for each Capitol Share. Accordingly, the number of Integral Shares on issue on implementation of the Scheme will be 371.8 million.

¹⁵ Excluding synergies.

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Capitol Shareholders should consider their individual circumstances, review the Scheme Booklet for further information where it applies to their circumstances and should seek the advice of their own professional adviser.

The Scheme is not conditional on the receipt of a finalised Class Ruling.

The Scheme is subject to a number of conditions

There are a number of conditions, including the approval from the Australian Competition and Consumer Commission (**ACCC**) and other various representations and warranties as set out in Section 13.4.1 of the Scheme Booklet, which if not satisfied will result in the Scheme not being implemented. In this case, Capitol Shareholders would continue to hold their existing Capitol shares.

One-off transactions costs

The total post-tax one-off transaction and implementation costs for the Merged Group in relation to the Scheme are estimated to be up to approximately \$50.8 million (including approximately \$19.0 million in relation to the Imaging @ Olympic Park (**IOP**) joint venture partnership as further discussed in Section 8.2.3 and \$2.2 million in relation to another joint venture partnership) on the basis that the Scheme is implemented.

In the event the Scheme is not completed, Capitol will have incurred or committed costs which primarily relate to financial advisers, legal, accounting and expert fees and other costs associated with the Scheme.

3.6 **Consequences if the Scheme does not proceed**

In the event that the Scheme is not approved or any conditions precedent prevent the Scheme from being implemented, Capitol will continue to operate in its current form and remain listed on the ASX. As a consequence:

- Capitol will continue to operate as a standalone entity and execute its strategy as set out in Section 8.9 of this report
- Capitol Shareholders will not receive the Scheme Consideration and the implications of the Scheme, as summarised above, will not occur, other than with respect to the one-off transaction costs incurred, or committed to, prior to the Scheme Meeting
- Capitol Shareholders will continue to be exposed to the benefits and risks associated with an investment in Capitol
- Capitol's share price may fall, for the reasons set out previously.

4 **Other matters**

In forming our opinion, we have considered the interests of Capitol Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Capitol Shareholders. It is not practical or possible to assess the implications of the Scheme on individual Capitol Shareholders as their financial circumstances are not known. The decision of Capitol Shareholders as to whether or not to approve the Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Capitol Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular



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circumstances, we recommend that individual Capitol Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the the Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting Capitol Shareholders in considering the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

KPMG Corporate Finance has made reasonable enquiries of Capitol which has concluded the underlying financial product pursuant to the Transaction is not captured by Design and Distribution Obligations regulations.

All currency amounts in this report are denominated in Australian dollars (\$) unless otherwise stated.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Scheme Booklet to be sent to Capitol Shareholders in relation to the Scheme, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Scheme Booklet.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

Adele Thomas
Authorised Representative

Sean Collins
Authorised Representative

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5 The Proposal

On 18 July 2024, Capitol announced that it had entered into a binding MID with Integral under which it is proposed that Integral will acquire 100% of the issued share capital of Capitol by way of a Scheme of Arrangement.

If the Scheme is approved and implemented, Capitol Shareholders will be entitled to receive 0.12849 Integral shares for every Capitol share they hold on the Scheme Record Date.

On 27 August 2024, Capitol declared a dividend of 0.3987 cents per Capitol share, which is expected to be paid on 21 October 2024, which is before the expected Scheme implementation date.

The Capitol Board unanimously recommend that Capitol Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, and subject to the independent expert concluding and continuing to conclude that the Scheme is in the best interests of Capitol Shareholders.

5.1 Conditions of the Scheme

The Scheme is subject to a number of conditions which are set out in Section 13.4.1 of the Scheme Booklet. The key conditions are:

- relevant ACCC approval
- ASX approving the quotation of the new Integral shares to be issued pursuant to the Scheme
- no restraint or prohibition, preventing or delaying the Scheme
- the approval of Capitol Shareholders and the Court
- the vesting or lapsing of Capitol equity incentives as agreed by Capitol and Integral
- no Material Adverse Change or Prescribed Occurrence as defined in the MID occurring in relation to either Capitol or Integral
- relevant ASIC and ASX approvals.

The Scheme also contains customary exclusivity provisions including a no-shop provision and matching right. It also includes no talk restrictions, a no due diligence restriction and a notification obligation. The no talk and no due diligence provisions are subject to the Capitol's Directors' fiduciary obligations. The no-shop, no talk and no due diligence restrictions are mutual and relate to both Capitol and Integral, while the notification obligation only relates to Capitol.

In the event that the Scheme does not proceed, Capitol must pay Integral a break fee of \$3.5 million under the circumstances described in Section 13.4.5 of the Scheme Booklet.

A reverse break fee (\$3.5 million) is payable by Integral to Capitol if Capitol terminates the MID due to a material and unremedied breach of an Integral representation and warranty or the MID by Integral, or the Scheme becomes effective but Integral does not pay or procure the provision of the Scheme Consideration in accordance with its obligations under the MID and the Deed Poll.



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If the MID is terminated or the conditions are not satisfied or waived (where capable of waiver), the Scheme will not proceed.

6 Scope of the report

6.1 Purpose

The Directors of Capitol have requested that KPMG Corporate Finance prepare a report in accordance with Section 411 of the Corporations Act and the guidance provided by ASIC. Although there is no technical requirement for an independent expert report to be prepared in relation to the Scheme, the Directors of Capitol have requested that KPMG Corporate Finance opine on whether the Scheme is in the best interests of Capitol Shareholders.

Further, Regulatory Guide (RG) 60 notes that even if an expert report is not required under the Act, it is common for a scheme company to commission a report voluntarily for a transaction that is complex or effects a takeover. The report prepared by an independent expert must state whether, in the expert's opinion, the proposed scheme of arrangement is in the best interest of the members of the body as a whole and set out the expert's reason(s) for forming that opinion.

6.2 Basis of assessment

RG 111 "Content of expert reports" issued by ASIC indicates the principles and matters which it expects a person preparing an independent expert report to consider. RG 111.18 states that where a scheme of arrangement has the effect of a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for takeover bid. That form of analysis considers whether the transaction is "fair and reasonable" and, as such, incorporates issues as to value. In particular:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison
- an offer is 'reasonable' if it is 'fair'.

RG 111.20 states that if an expert concludes that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of the members of the company.

In the circumstance of a 'not fair but reasonable' outcome, RG 111.21 states that the expert can also conclude that the scheme is in the best interests' on the basis that it clearly states that the consideration is less than the value of the securities subject to the scheme but that there are sufficient reasons for shareholders to vote in favour of the scheme in the absence of a higher offer.

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the shares subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the

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target prior to the bid. That is, RG 111 requires that the value of the target be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis). In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect 'special value' that might accrue to the acquirer.

Accordingly, when assessing the full underlying value of Capitol we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Capitol. As such, we have not included the value of special benefits that may be unique to Integral. Accordingly, our valuation of Capitol has been determined without regard to a specific bidder, and any special benefits have been considered separately.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as:

- the bidder's pre-existing shareholding in the target
- other significant shareholding in the target
- the liquidity of the market in the target's shares
- any special value of the target to the bidder
- the likely market price of the target's shares in the absence of the offer
- the likelihood of an alternative offer being made
- any other advantages, disadvantages and risks associated with accepting the offer.

In forming our opinion, we have considered the interests of Capitol Shareholders as a whole. As an individual Capitol Shareholder's decision to vote for or against the proposed resolutions may be influenced by their particular circumstances, we recommend they each consult their own financial advisor.

7 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Capitol or Integral for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with Capitol management in relation to the nature of the company's business operations, its specific risks and opportunities, its historical financial results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Capitol has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate



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Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by the management of Capitol. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, Capitol remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. The Directors of Capitol, together with the company's legal advisers, are responsible for conducting due diligence in relation to Scheme. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

7.1 **Disclosure of information**

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Capitol has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to Capitol and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Capitol. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by Capitol.

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8 Profile of Capitol

8.1 Background

Capitol is a specialist provider of diagnostic imaging services to the Australian healthcare market. It owns and operates 61 clinics¹⁶ across VIC, WA, TAS and SA. The company employs a team of more than 1,000 staff, including approximately 100 radiologists.

Corporate History

Capitol has incrementally acquired its network of 61 clinics¹⁶, the majority of which operate under the Capital Radiology brand. The network is also operated under other associated brands including Radiology Tasmania, FMIG and Direct Radiology. Capitol's clinic network also includes specialised facilities such as Imaging @ Olympic Park and Fowler Simmons Radiology (both musculoskeletal centres) and Womens' Imaging (a women's health centre).

Key milestones in Capitol's history are set out in the table below.

Table 3: Capitol – Corporate history

Date	Event
2005, December	Capitol was incorporated, focusing on the acquisition of dental surgeries and their associated facilities and equipment.
2006, June	Capitol was listed on the ASX, comprising of two dental surgeries.
2006, August	Capitol acquired Kalamunda Dental Care, adding a third dental surgery to the group.
2007, July	Capitol acquired Radiology Group (seven clinics), broadening its healthcare focus into radiology.
2007, December	Capitol acquired Bell Imaging (two clinics) and South East Medical Imaging (nine clinics).
2008, August	Capitol divested three dental surgeries, marking a strategic shift towards diagnostic imaging.
2012, March	Capitol acquired the radiology operations of IM Medical Limited (five clinics).
2013, March	Capitol acquired MDI Radiology (eleven clinics).
2014, December	Capitol acquired Southern Radiology (fourteen clinics), expanding its operations to New South Wales (NSW).
2015, February	Capitol acquired IOP (one clinic).
2015, April	Capitol acquired Eastern Radiology Services (one clinic) and Sydney Radiology (one clinic).
2015, August	Capitol acquired Liverpool Diagnostics (five clinics).
2017, August	Capitol completed the sale of its NSW clinics (twenty one clinics).
2017, December	Capitol acquired Radiology Tasmania (five clinics), expanding its operations to TAS.
2018, January	Capitol acquired I-Rad Radiology (one clinic).
2018, September	Capitol acquired nine radiology clinics (six clinics in WA, three clinics in VIC).
2018, October	Capitol acquired West Coast Radiology (two clinics).
2019, January	Capitol acquired four of Uniradiology's clinics in Melbourne.
2020, January	Capitol acquired a 90% interest in Fowler Simmons Radiology (FSR) (one clinic).
2021, February	Capitol acquired Direct Radiology (three clinics).
2021, November	Capitol acquired Womens' Imaging (one clinic).
2022, November	Capitol acquired FMIG (six clinics).

Source: Capitol Annual Reports and ASX Announcements

¹⁶ As at 30 June 2024, Capitol operated 65 clinics.

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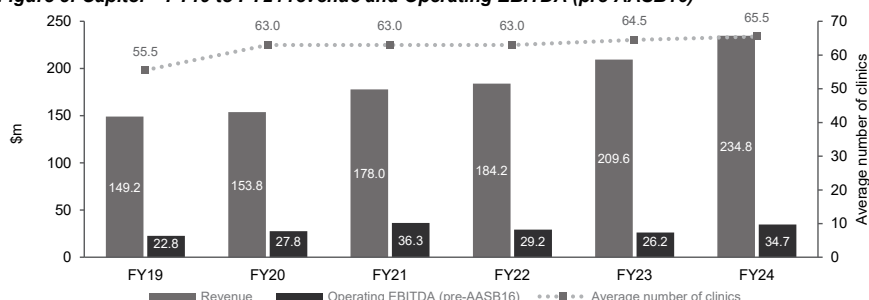


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Growth profile

Between FY19 and FY24, Capitol's strategic acquisitions significantly contributed to the company's revenue growth. The company completed over 25 clinic acquisitions¹⁷, which supported a revenue compound annual growth rate (CAGR) of 9.5%. The company's growth was also driven by the development of new clinics and expansion of offerings at existing locations, which facilitated sustained growth amid the challenges posed by the COVID-19 pandemic (COVID-19) and workforce disruptions. Capitol's Operating EBITDA (pre-AASB16) recorded a slightly more moderate CAGR of 8.8%, somewhat dampened by inflationary and labour cost pressures.

Figure 3: Capitol – FY19 to FY24 revenue and Operating EBITDA (pre-AASB16)



Source: Capitol Annual Reports, ASX Announcements and KPMG Corporate Finance analysis

Note:

- 1 Earnings before interest, tax, depreciation and amortisation (EBITDA)
- 2 Number of clinics is based on an average of opening and closing number of clinics for each financial year (FY)

In July 2019, the company appointed Justin Walter as CEO and Managing Director. During his first year, a review of operational structures, systems and costs to serve clinics was undertaken. In FY20, the company launched its four-year strategic plan. Through this plan, Capitol transformed its operations, focusing on enhancing clinical governance and excellence, improving talent acquisition and retention, investing in operating systems and establishing new comprehensive clinics. The strategic plan has underpinned Capitol's gradual recovery in volumes and margin improvement towards pre-COVID-19 levels.

As illustrated below, between FY19 and FY24, Capitol's revenue growth outperformed that of the diagnostic imaging industry¹⁸, achieving a CAGR of 9.5% compared to an industry CAGR of 4.8%, albeit including the impact of acquisitions. In FY20, Capitol's annual revenue growth of 3.1% was below the industry's 6.7% growth, reflecting the business' relatively high exposure to COVID-19 as a predominantly metropolitan-based provider with a reliance on non-critical "community-based" healthcare referrals (discussed in detail in the following section). In FY21 and FY22, Capitol outperformed the industry by revenue growth as COVID-19 restrictions eased.

¹⁷ Capitol also opened greenfield clinics, sold its NSW clinics and closed clinics during this period.

¹⁸ Based on Medicare benefits for diagnostic imaging services across all Australian states.

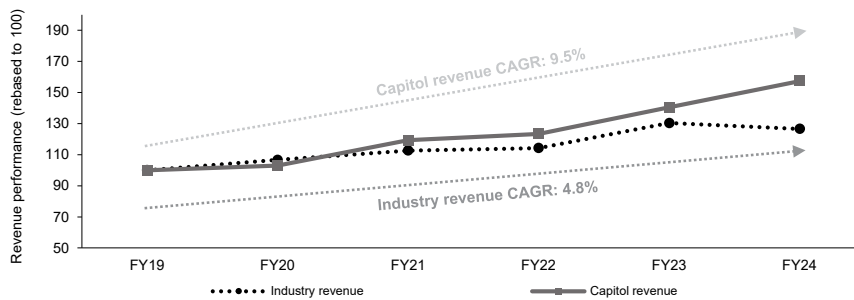
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Figure 4: Capitol – FY19 to FY24 revenue compared with industry



Source: Capitol Annual Reports, Medicare Group Reports and KPMG Corporate Finance analysis

Note:

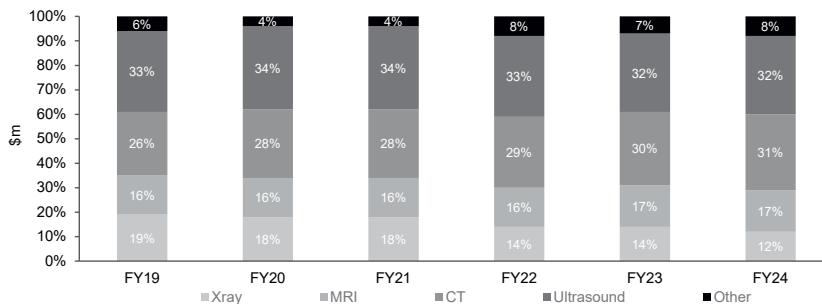
- 1 Revenue has been rebased at FY19
- 2 Industry revenue based on Medicare benefits for diagnostic imaging services across all Australian states

8.2 Business operations

8.2.1 Overview

Capitol generates revenue through the provision of a diverse range of diagnostic imaging modalities. As depicted below, the majority of the company's FY24 revenue was derived from the ultrasound, CT, MRI and X-radiation (**X-ray**) modalities. Between FY19 and FY24, Capitol has made a gradual move towards an increased mix of higher-end modalities, such as MRI and CT. Capitol's MRI and CT revenue mix increased from 16% and 26% in FY19 to 17% and 31% in FY24, respectively.

Figure 5: Capitol – FY19 to FY24 revenue by modality



Source: Capitol Investor Presentations

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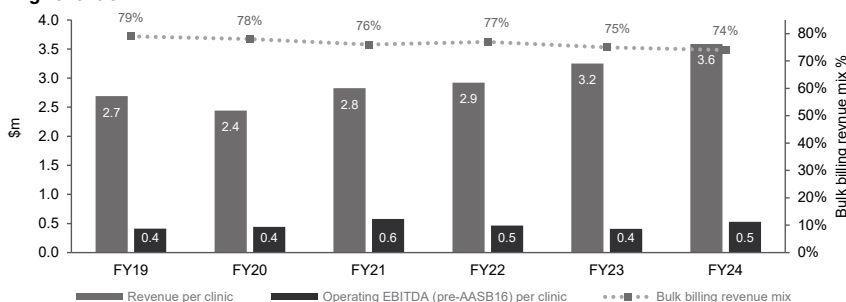
Capitol owns 28 MRI machines, with various levels of Government reimbursement eligibility, as follows:

- 4 fully licensed MRI machines, which allow patients to be reimbursed for all MRI services listed on the Medicare Benefits Schedule (MBS), provided they are referred by a general practitioner (GP) or medical specialist
- 10 partially licensed MRI machines, which offer patients full rebates for certain MRI services. From 1 July 2025, any practice that holds a license (including partial) will be provided full Medicare eligibility to all MRI equipment located at the practice
- 14 unlicensed MRI machines, which do not receive Medicare funding unless they are in regional, rural or remote areas¹⁹. MRI services with these machines are therefore usually out-of-pocket costs for patients. From 1 July 2027, all MRI licensing requirements will cease, as discussed in Appendix 3.

Business model

Capitol is considered a “price taker”, with 74% of its revenue in FY24 derived from bulk billing, as depicted below. Capitol’s pricing, and thus revenue, is therefore significantly influenced by Medicare pricing indexation (discussed in Appendix 3). Given the Medicare-led pricing, Capitol’s performance is highly dependent on its ability to achieve patient volumes. Capitol’s bulk billing revenue mix has declined from 79% of its revenue in FY19 as a result of the company’s strategic shift towards higher-end modalities (with less Medicare funding).

Figure 6: Capitol – FY19 to FY24 revenue, Operating EBITDA (pre-AASB16) per clinic and bulk billing revenue mix



Source: Capitol Annual Reports and Investor Presentations

Note: Number of clinics is based on an average of opening and closing number of clinics for each financial year (FY)

Capitol’s strategy for achieving patient volumes is targeted towards the community, by locating clinics in suburban areas rather than hospital settings. This positioning aims to meet local patient demand and attract referrals from community-based healthcare providers, including GPs, allied health professions and medical specialists. Consequently, there is a close relationship between Capitol’s patient volumes and attendance patterns at GP and other community healthcare practices, with higher attendances often leading to increased referrals.

¹⁹ As of 1 November 2022, MRIs in regional, rural or remote areas are no longer subject to licensing restrictions for Medicare rebates.

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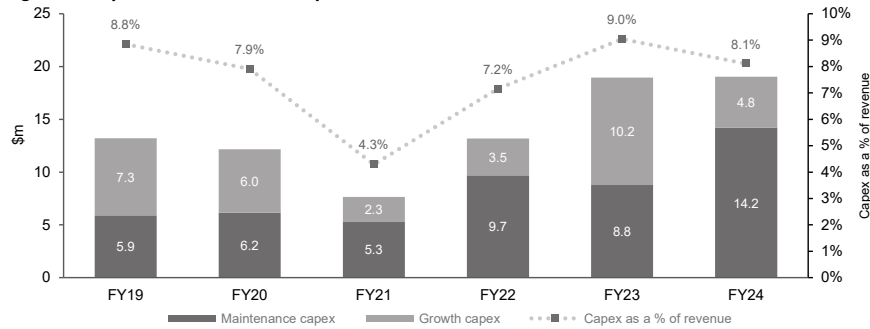


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Capital expenditure

Capitol is a capital intensive business, having incurred \$19.0 million in capital expenditure (**capex**) during FY24 (8.1% of revenue). The company distinguishes between two types of capex: (i) maintenance capex, which reflects equipment upgrade requirements, end of life replacements and site refurbishments; and (ii) growth capex, which includes the greenfield development of new clinics and brownfield expansion of existing clinics. A significant amount of maintenance capex is driven by 'capital sensitivity', the requirement by Medicare to replace or upgrade most imaging equipment²⁰ within set timeframes in order to maintain benefit eligibility (discussed further in Appendix 3). Capitol's high capex profile and fixed cost base heightens the importance of achieving consistent patient volumes in order to cover capex requirements. The fluctuations in maintenance capex (\$5.3 million in FY21 and \$9.7 million in FY22) depicted below, mainly reflect delayed maintenance during COVID-19.

Figure 7: Capitol – FY19 to FY24 capex



Source: Capitol Annual Reports, ASX Announcements and KPMG Corporate Finance analysis

8.2.2

Geographical footprint

The figure below illustrates the geographic distribution of Capitol's clinics in Australia. The majority are located in metropolitan areas of each state.

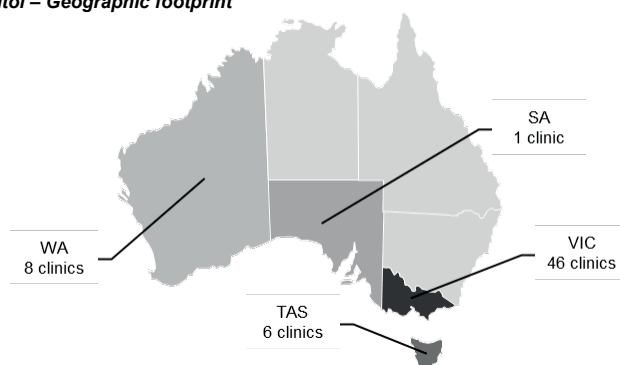
²⁰ Excluding PET, which is excluded from capital sensitivity requirements.

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Figure 8: Capitol – Geographic footprint



Source: Scheme Booklet

Capitol is the fifth largest diagnostic imaging company in Australia by revenue (discussed in Appendix 3). Despite its smaller scale compared to many of its competitors, the company has captured a strong market share in the select states where it operates. For instance, with 48 sites in Victoria, Capitol is the state’s second largest operator by site count. This focused market presence underpins a strong referral network, which enables Capitol to achieve comparable or higher margins and growth compared to those of its larger peers.

8.2.3 Joint venture partnerships

Capitol currently has joint venture partnership agreements with five practices: IOP, FSR, Capital Radiology Pakenham (**Pakenham**), Capital Radiology EPH and Capital Heart.

Capitol’s most significant joint venture agreement is with a joint venture partner at IOP (**IOP JV Partner**). Capitol currently holds 100% of the ordinary shares in IOP. Under the current IOP joint venture agreement, the IOP JV Partner holds redeemable convertible shares (**B Class Shares**) and is entitled to a 25% share of distributed profits in IOP via its holding of B Class Shares in IOP. The IOP JV Partner is entitled to redeem their B Class Shares in April 2026, or if earlier, upon a change of control event described in the IOP joint venture agreement. The amount payable on a redemption is based on the financial performance of IOP adjusted for any outstanding loan amount with the IOP JV Partner. Implementation of the Scheme will trigger this change of control redemption right and, as a consequence, the IOP JV Partner would be entitled to redeem its B Class Shares in IOP upon the implementation of the Scheme.

Under the agreement relating to the purchase of the B Class Shares, IOP will pay a pre-completion dividend as detailed in Section 10.7 of the Scheme Booklet.

In order to align the IOP JV Partner’s interests with those of the Merged Group, Capitol has agreed to purchase the IOP JV’s Partner’s B Class Shares in IOP, conditional on implementation of the Scheme, and the IOP JV Partner has agreed not to exercise its redemption right. The consideration payable by Capitol to the IOP JV Partner is based on the financial performance of IOP for FY24 and this is expected to be approximately \$19.0 million (**Completion Payment**). Under the agreement for the purchase of the B Class Shares, the IOP JV Partner is entitled to additional payments based on the financial performance of IOP for the financial years up to and including the financial year ending 30 June 2028 (**Additional Payments**), subject to the continued employment of a radiologist associated with IOP JV

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Partner by the Merged Group. For the avoidance of doubt, the Additional Payments are in addition to the Completion Payment and will only be payable if the employment condition is met at the end of the relevant financial year.

The IOP joint venture partnership is discussed in more detail in Section 10.7 of the Scheme Booklet.

8.3 Financial performance

The financial performance of Capitol for the three years ended 30 June 2024 is summarised below:

Table 4: Capitol – Financial performance

\$m	Audited	Audited	Audited
	12 months 30-Jun-22	12 months 30-Jun-23	12 months 30-Jun-24
Services revenue	184.1	208.5	232.8
Other operating revenue	0.1	1.1	2.0
Total revenue	184.2	209.6	234.8
Wages, contractor costs and salaries	(114.6)	(134.6)	(148.8)
Occupancy costs	(4.7)	(6.5)	(6.6)
Medical equipment and consumable supplies	(10.2)	(13.0)	(14.2)
Service costs	(13.5)	(15.3)	(16.0)
Transaction and restructure costs	(1.0)	(1.6)	(2.8)
Unrealised foreign exchange gain/(loss)	1.8	0.4	(0.1)
Investments' movement in fair value	(2.1)	(17.6)	(0.6)
Impairment of other non-current assets	-	(2.1)	(2.3)
Financial liabilities' movement in fair value	0.1	0.3	(20.7)
Depreciation and amortisation	(21.1)	(24.9)	(27.1)
Net finance costs	(2.9)	(5.1)	(7.4)
(Loss) / profit before income tax	15.9	(10.4)	(11.5)
Income tax	(5.0)	(1.2)	(3.3)
NPAT¹	11.0	(11.6)	(14.8)
Revenue growth (%)	3.5%	13.8%	12.0%
NPAT margin (%)	6.0%	(5.5%)	(6.3%)
Staff costs % revenue (%)	62.2%	64.2%	63.4%
Number of clinics (No.) ²	63.0	64.5	65.5
Revenue per clinic (\$m) ²	2.9	3.2	3.6

Source: FY24 and FY23 Annual Report and KPMG Corporate Finance analysis

Note:

- 1 Net profit after tax (NPAT)
- 2 Number of clinics is based on an average of opening and closing number of clinics for each FY
- 3 Numbers may not add exactly due to rounding

Over the three years ended 30 June 2024, Capitol demonstrated significant revenue growth, achieving a CAGR of 12.9%. The growth was driven by the acquisitions of Direct Radiology (FY21), Women's Imaging (FY22) and FMIG (FY23). It was further supported by an increase in service offerings, both through new clinic establishments (greenfield initiatives) and enhancements to existing facilities (brownfield projects), along with a recovery of patient volumes following COVID-19. Revenue growth across the period was somewhat dampened by lingering low GP attendances and the strategic cessation of various clinics and services.

Operating EBITDA margin (post-AASB16) decreased from 22.3% in FY22 to 19.2% in FY23, mainly driven by a high inflation environment, increased labour costs and challenging industry conditions (i.e. disrupted GP workforce, constrained GP visitation activity, staff shortages and COVID-19 related high staff absenteeism). In FY24, Operating EBITDA margin (post-AASB16)



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recovered to 21.0%, largely due to increased scale, continued management of the cost base and operation efficiencies associated with the company's strategic plan.

Capitol's assessment of Operating EBITDA for the three years ended 30 June 2024 is summarised below.

Table 5: Capitol – Operating EBITDA

\$m	Audited 12 months 30-Jun-22	Audited 12 months 30-Jun-23	Audited 12 months 30-Jun-24
(Loss) / profit before income tax	15.9	(10.4)	(11.5)
<i>Adjustments</i>			
Transaction costs	1.0	1.6	2.8
Unrealised foreign exchange gain	(1.8)	(0.4)	0.1
Investments' movement in fair value	2.1	17.6	0.6
Impairment of non-current assets	-	2.1	2.3
Fair value movement of other financial liabilities	(0.1)	(0.3)	20.7
Depreciation and amortisation	21.1	24.9	27.1
Net finance costs	2.9	5.1	7.4
Operating EBITDA (post-AASB16 basis)	41.1	40.2	49.3
Lease cash payments (adjustment to pre-AASB16)	(11.9)	(13.9)	(14.6)
Operating EBITDA (pre-AASB16 basis)	29.2	26.2	34.7
Operating EBITDA growth (%) (post-AASB16 basis)	(14.3%)	(2.3%)	22.6%
Operating EBITDA growth (%) (pre-AASB16 basis)	(19.5%)	(10.2%)	32.2%
Operating EBITDA margin (%) (post-AASB16 basis)	22.3%	19.2%	21.0%
Operating EBITDA margin (%) (pre-AASB16 basis)	15.9%	12.5%	14.8%

Source: FY24 and FY23 Annual Report and KPMG Corporate Finance analysis

Note: Numbers may not add exactly due to rounding

1 Operating EBITDA (post-AASB16) represents NPAT after excluding interest, taxes, depreciation and amortisation, as well as exceptional and abnormal items. Operating EBITDA after cash lease payments is referred to as Operating EBITDA (pre-AASB16). Operating EBITDA is also referred to as Normalised EBITDA throughout the report

The adjustments to '(loss) / profit before income tax' primarily relate to the following items:

- **transaction costs**, mostly incurred in relation to the Scheme and the acquisitions of Womens' Imaging (FY22) and FMIG (FY23). It also includes costs associated with the implementation of the Unified Radiology Information System (**RIS**) project²¹
- **unrealised foreign exchange gain**, recognised in respect of AUD:USD exchange movement for the investment in Enlitic²², divested in FY23
- **investments' movement in fair value**, in relation to fair value adjustments of Enlitic. In FY24, Capitol sold its shareholding in Enlitic for \$1.3 million. An associated adjustment of \$0.6 million was recorded to reflect its fair value at the time of sale
- **impairment of non-current assets**, in relation to the impairment of the business' WA operations in FY23 and FY24 (discussed in 8.4 Financial position) and a site closure in FY24

²¹ Project aimed at deploying RIS platforms across clinics to improve service quality, load sharing and efficiency.

²² In FY16, Capitol acquired US\$10 million of shares in Enlitic Inc (**Enlitic**), a US-based company, specialising in healthcare data solutions. In FY24, Capitol sold its shareholding in Enlitic for \$1.3 million.

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- **fair value movement of other financial liabilities**, reflects movement in fair value of contingent considerations and put and call options. The fair value loss of \$20.7 million in FY24 mainly relates to a change in fair value of the joint venture liability with IOP
- **lease cash payments**, primarily reflects the cash lease expenses related to property leases and equipment leases, which are not reflected under *AASB16 Leases*
- **depreciation, amortisation, net finance costs**, added back to '(loss) / profit before income tax' for calculating EBITDA.

The key drivers and factors in the historical financial performance include:

- in FY22, Capitol reported revenue growth of 3.5%, largely due to the acquisitions of Direct Radiology (FY21) and Womens' Imaging (FY22). Capitol's organic revenue (excluding acquisitions) remained relatively flat, despite indexation of Medicare benefits for most services and the opening of three greenfield clinics. The lack of organic growth was mainly attributed to lockdowns, restrictions on elective surgeries and temporary clinic closures during COVID-19. Operating costs in FY22 grew by 10.0%, significantly impacted by high labour costs, which comprised 80.1% of operating costs. Labour costs escalated by 12.4% due to acquisitions, high personal leave balances and the requirements for temporary staff. Overall, operating costs outpaced revenue, which led to a 19.5% decline in Operating EBITDA (pre-AASB16) from the previous year
- in FY23, revenue grew by 13.8%, largely due to the acquisition of FMIG. Revenue, excluding FMIG, increased by 4.7%, driven by a recovery in patient volumes following COVID-19, an expansion of the service offerings at existing clinics and indexation of Medicare benefits for most services. This was partially offset by the disruption of services due to low GP attendances relative to pre-COVID levels, staff absenteeism and the strategic cessation of some clinics and modality offerings. Operating costs grew by 18.4% as Capitol continued to face labour cost pressures, exacerbated by higher Victorian payroll tax obligations and increased superannuation obligations. Capitol also saw notable increases in other operating costs relating to occupancy costs, recruitment costs and insurance. These factors, along with inflation outpacing Medicare indexation, resulted in Operating EBITDA margin (pre-AASB16) falling from 15.9% in FY22 to 12.5% in FY23
- in FY24, Capitol's revenue grew by 12.0%, largely due to the full year contribution of FMIG, indexation of Medicare benefits for most imaging services, opening of a new MRI-comprehensive clinic at Sunshine Private Hospital and brownfield expansion and replacement of MRI services. This was partially offset by further strategic cessation of select unprofitable clinics and low margin service offerings, as well as disruption to services due to staff absenteeism and GP attendances. Operating costs rose by 9.5%, mostly impacted by the full year contribution of FMIG. The more moderate cost growth (compared to FY23) was attributed to prudent management of fixed costs, transition to a more variable cost base and disciplined remuneration structures. Labour costs rose by 10.5%, largely attributed to variable remuneration linked to revenue growth, increased payroll tax and WorkCover charges, increased superannuation guarantee contributions and recruitment costs. Overall, the improved scale, lower cost base and strategic shift to higher margin service offerings resulted in Operating EBITDA (pre-AASB16) growth of 32.2%, with an Operating EBITDA margin (pre-AASB16) of 14.8% (up from 12.5% in FY23).



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Distributions

The following table summarises distribution metrics of Capitol for the three years ended 30 June 2024:

Table 6: Capitol – Dividend metrics

	12 months 30-Jun-22	12 months 30-Jun-23	12 months 30-Jun-24
Weighted basic average number of shares (m)	1,035.5	1,053.7	1,063.2
Basic (loss) / earnings per share (cents)	1.04	(1.11)	(1.40)
Dividends declared per ordinary share (cents)	1.0000	1.0000	0.8987

Source: FY24 and FY23 Annual Report and KPMG Corporate Finance analysis

Capitol has paid relatively stable dividends on a biannual basis since they were reinstated by the Board in 2018.

Capitol has declared an FY24 final dividend in line with the merger ratio (being 0.12849 of Integral's FY24 final dividend)²³. This amounts to 0.3987 cents per share, to be paid on 21 October 2024.

²³ Subject to an adjustment amount as determined by Capitol within the parameters agreed by Integral and Capitol.

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8.4 Financial position

The financial position of Capitol as at 30 June 2022, 30 June 2023 and 30 June 2024 is provided below:

Table 7: Capitol – Financial position

\$m	Audited 30-Jun-22	Audited 30-Jun-23	Audited 30-Jun-24
Cash and cash equivalents	13.4	19.1	24.1
Trade receivables and other receivables	3.6	6.0	5.1
Investments	0.1	0.1	0.1
Other assets	1.8	2.3	2.0
Income tax receivable	1.2	-	-
Total current assets	20.1	27.5	31.4
Plant and equipment	44.5	58.3	60.7
Right-of-use assets	56.7	62.3	54.3
Intangible assets	125.1	174.0	173.0
Investments	19.2	2.0	-
Other receivables	0.3	0.2	0.1
Total non-current assets	245.8	296.8	288.1
Total assets	265.9	324.3	319.5
Trade and other payables	11.5	24.4	22.7
Lease liabilities	10.3	11.8	11.2
Other financial liabilities	-	0.7	23.0
Employee benefit liabilities	11.7	12.4	11.9
Income tax liabilities	-	1.2	2.0
Total current liabilities	33.5	50.4	70.8
Borrowings	19.0	72.8	82.8
Lease liabilities	51.9	56.8	49.9
Other financial liabilities	3.8	2.8	0.3
Provisions	2.6	3.3	3.5
Employee benefit liabilities	0.4	0.4	0.5
Deferred tax liability	0.6	1.8	1.0
Total non-current liabilities	78.3	137.9	138.0
Total liabilities	111.8	188.4	208.8
Net assets	154.0	135.9	110.7
Issued capital	153.7	160.2	161.1
Reserves	1.0	2.7	4.8
Accumulated losses	(1.8)	(27.9)	(55.0)
Equity attributable to the Owners of Capitol	153.0	134.9	110.9
Non-controlling interests	1.0	1.0	(0.2)
Total Equity	154.0	135.9	110.7
Shares on issue (m)	1,040	1,061	1,062
Net debt ¹ / Operating EBITDA (pre-AASB16)	0.1x	1.4x	1.9x

Source: FY24 and FY23 Annual Report and KPMG Corporate Finance analysis

Note:

- 1 Net debt excludes bank guarantees, financial leases and other debt-like items per finance facility agreements
- 2 Numbers may not add exactly due to rounding

We note the following in relation to Capitol's historical financial position:

- net assets declined from \$154.0 million at 30 June 2022 to \$135.9 million at 30 June 2023. The decrease was largely driven by the write-down of investments, relating to the company's Enlitic investment (discussed below). Net assets decreased further to \$110.7



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million at 30 June 2024, mostly due to a \$20.7 million increase in the fair value of other financial liabilities (discussed below)

- investments relates to the fair value of Capitol's Enlitic investment, which declined from \$19.2 million at 30 June 2022 to \$2.0 million at 30 June 2023, following the completion of an equity financing round. As a result of the financing round, in which Capitol did not participate, Enlitic's value was downgraded and Capitol's share was diluted. In FY24, Capitol sold its entire shareholding in Enlitic
- other financial liabilities balance increased from \$3.5 million at 30 June 2023 to \$23.3 million at 30 June 2024. It comprises mostly of liabilities in relation to the joint venture agreements with IOP and Pakenham, discussed in Section 8.2.3
- right-of-use assets predominantly relate to property leases, with a small component attributable to IT and diagnostic imaging equipment
- plant and equipment and right-of-use assets in relation to WA clinics were impaired by \$2.1 million in FY22 and \$1.8 million in FY24. The lower recoverable amount of individual WA clinics was attributed to weak GP referrals, availability of staff and other macroeconomic trends such as interest rate rises. An additional \$0.4 million of impairment in FY24 was recorded for a site closure in SA
- intangible assets of \$173.0 million at 30 June 2024 includes goodwill (\$157.1 million), brand names (\$4.0 million), referrer relationships (\$10.0 million) and software (\$1.9 million) relating to historical acquisitions
- Capitol has a negative net working capital²⁴ position as the majority of payments are received upfront or from Medicare within several days for bulk-billed visitations.

8.4.1 **Net debt**

At 30 June 2024, Capitol had net debt of \$58.8 million, comprising cash at bank of \$24.1 million and interest bearing liabilities of \$82.8 million.

Capitol's net debt to Operating EBITDA (pre-AASB16) multiple increased from 0.1x in FY22 to 1.4x in FY23, mainly driven by debt to fund acquisitions. In FY24, net debt to Operating EBITDA (pre-AASB16) increased to 1.9x, mainly due to debt funded medical imaging equipment and greenfield site developments. Net unutilised available funding through secured bank facilities totals \$47.2 million, as detailed below.

Table 8: Capitol – Borrowings at 30 June 2024

\$m	Total facilities	Amount drawn	Available facility
Secured bank loan ¹	130.0	82.8	47.2
Total borrowings	130.0	82.8	47.2

Source: FY24 Annual Report

Note:

1 Includes \$30.0 million Accordion facility

2 Total borrowings excludes equipment financing and bank guarantee facility

3 Numbers may not add exactly due to rounding

²⁴ Working capital is calculated as current assets (excluding cash and cash equivalents) less trade and other payables.

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Secured bank loan includes a cash advance facility with a limit of up to \$100.0 million for a period of four years and an uncommitted Accordion facility of up to \$30.0 million.

Cash flow

The cash flow statement of Capitol for the three years ended 30 June 2024 is summarised below:

Table 9: Capitol – Cash flow statement

\$m	Audited 12 months 30-Jun-22	Audited 12 months 30-Jun-23	Audited 12 months 30-Jun-24
<i>Cash flow from operating activities</i>			
Receipts from customers	184.9	208.4	235.6
Payments to suppliers and employees	(143.8)	(163.5)	(186.4)
Interest received	0.0	0.3	0.5
Interest and other finance charges on borrowings	(1.1)	(3.5)	(5.2)
Interest on lease liabilities	(1.9)	(1.8)	(2.1)
Income tax paid	(5.3)	(0.8)	(3.2)
Payment of transaction costs	(1.0)	(1.6)	(2.8)
Net operating cash flows	31.9	37.4	36.2
<i>Cash flow from investing activities</i>			
Purchase of plant and equipment	(13.2)	(16.8)	(17.7)
Proceeds on sale of plant and equipment	-	-	0.0
Purchase of software	-	-	(1.3)
Payments for business acquisitions and investments, net of cash	(0.7)	(45.8)	(0.9)
Proceeds on sale of investment	-	-	1.3
Net investing cash flows	(13.9)	(62.6)	(18.5)
<i>Cash flow from financing activities</i>			
Proceeds on exercise of options	4.3	-	-
Proceeds from issue of shares	-	-	0.5
Proceeds/(repayment) of secured loans	(10.0)	53.8	10.0
Payment of dividends	(10.4)	(10.5)	(10.7)
Payment of dividends to non-controlling interests	(0.2)	(0.2)	(0.2)
Cash payment of lease liabilities	(10.0)	(12.1)	(12.4)
Net financing cash flows	(26.4)	31.0	(12.7)
Net increase/(decrease) in cash and cash equivalents	(8.4)	5.7	4.9
Cash and cash equivalents at the beginning of the year	21.7	13.4	19.1
Cash and cash equivalents at end of the year	13.4	19.1	24.1

Source: FY24 and FY23 Annual Report and KPMG Corporate Finance analysis

Note: Numbers may not add exactly due to rounding

We note the following in relation to Capitol's cash flows:

- net operating cash flow increased from \$31.9 million in FY22 to \$37.4 million in FY23, primarily due to FMIG being integrated into the network and timing of receivables. Net operating cash flow in FY22 also included transaction costs of \$0.27 million for the acquisition of Womens' Imaging and \$1.6 million in FY23 for the acquisition of FMIG. Net operating cash flow of \$36.2 million in FY24 was relatively in line with FY23
- payment of transaction costs of \$2.8 million in FY24 primarily relate to business acquisition activity and non-capitalisable Unified RIS project costs
- purchase of plant and equipment in FY22 of \$13.2 million was mostly comprised of maintenance capex due to timing of equipment replacement and delayed maintenance

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during COVID-19. It also included growth capex associated with the development of three greenfield clinics. In FY23, cash outflow for plant and equipment of \$16.8 million mostly related to growth capex for the investment in Sunshine Private Hospital and MRI machine additions at two existing clinics. In FY24, Capitol spent \$17.7 million on plant and equipment, relating mostly to maintenance replacements and further investment in Sunshine Private Hospital

- proceeds of secured loans in FY23 of \$53.8 million included \$49.8 million for the acquisition of FMIG and \$4.0 million for additional operating cash requirements. In FY24, Capitol increased its bank borrowings by \$10.0 million, which was used to finance investment in medical imaging equipment and greenfield site development
- payments for business acquisitions and investments relate to inorganic growth capex, such as \$0.7 million in FY22 for the cash consideration of Womens' Imaging and \$45.8 million in FY23 for the net cash consideration of FMIG.

8.6 Board of directors

The current Directors of Capitol are set out below.

Table 10: Capitol – Board of directors

Name	Board Position
Andrew Demetriou	Chairman and Non-Executive Director
Justin Walter	Managing Director and Chief Executive Officer
Richard Loveridge	Non-Executive Director
Laura McBain	Non-Executive Director
Kevin Shaw	Non-Executive Director

Source: FY24 Annual Report

8.7 Equity capital

8.7.1 Ordinary shares on issue

Capitol has 1,072.6 million fully diluted shares on issues, which are comprised of:

- 1,066.0 million fully paid ordinary shares on issue
- 6.4 million performance rights granted under the company's incentive plans that are assumed to be vested and issued as a result of the Scheme
- 0.2 million shares that are assumed to be issued as a result of the Scheme, in relation to the FMIG acquisition.

Capitol's Options on issue (further discussed below) are not expected to be issued as a result of the Scheme.

The top four registered shareholders accounted for approximately 28.7% of shares on issue and are principally investment managers.

The following table outlines the substantial shareholders in Capitol.

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Table 11: Capitol – Substantial shareholders

Shareholder	Number held (millions)	Percentage of shares issued (%)
Wilson Asset Management Group	118.95	11.2
National Nominees Ltd ACF Australian Ethical Investment Limited	73.14	6.9
Washington H. Soul Pattinson and Company Limited (WHSP) and BRICKWORKS LIMITED and its subsidiaries via WHSP	60.52	5.7
MicroEquities Asset Management	53.47	5.0
Total	306.07	28.7

Source: Scheme Booklet

8.7.2 Employee incentive plans

Capitol's short term incentive (**STI**) plan is based on a set of financial metrics, non-financial metrics, strategic objectives and individual performance and effort relevant to achieving Board approved strategic objectives. The STI award is delivered annually in cash.

Capitol's long term incentive (**LTI**) plan enables the Capitol Board to issue Options and Performance Rights to employees. The vesting and granting of Options and Performance Rights are subject to set service and key performance indicators (**KPI**). Capitol had 4.9 million Options on issue. Of these Options, 3.5 million have vested and the balance remain unvested. Capitol had 6.4 million performance rights on issue, all of which were unvested.

Further detail on Capitol's employee incentive plans are provided in Section 7.10 of the Scheme Booklet.

8.8 Trading performance

In analysing Capitol's share price performance, we have:

- analysed price and volume performance for the 12 month period to 14 June 2024 (the last trading day prior to the announcement of the Process Deed)
- compared Capitol's share price movement to the S&P/ASX 200 Index for the 12 month period to 14 June 2024
- considered the VWAP and trading liquidity of Capitol shares for the period pre and post the announcement of the Process Deed.

8.8.1 Share price and volume performance

Capitol's share price performance and the volume of shares traded for the 12 month period to 14 June 2024 is illustrated below.

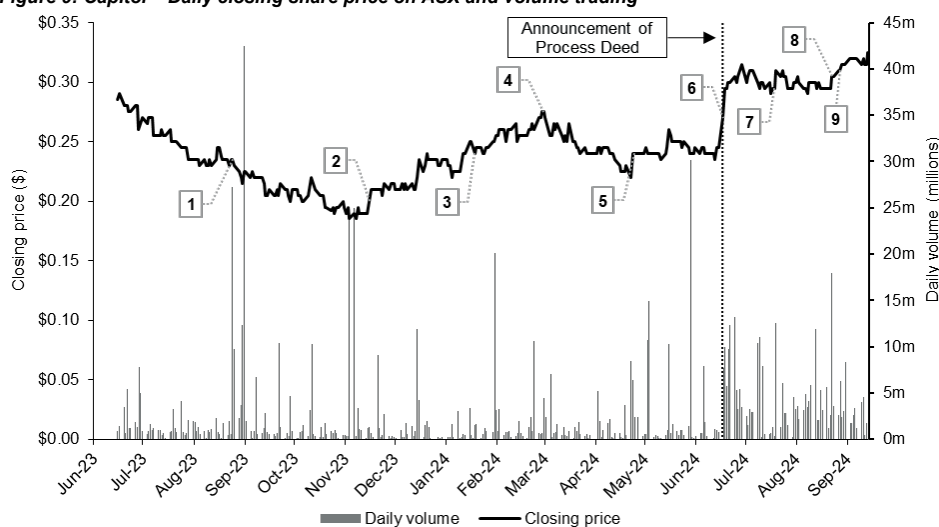
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Figure 9: Capitol – Daily closing share price on ASX and volume trading



Source: IRESS and KPMG Corporate Finance Analysis

Capitol announcements identified as being price sensitive over the 12-month period to 14 June 2024, and for the subsequent period to 13 September 2024 include:

- 24 August 2023: Capitol announced earnings results for FY23.
- 15 November 2023: Capitol held its annual general meeting and announced the resignation of Craig Bremner as Chief Financial Officer (CFO).
- 18 January 2024: Capitol appointed Brendon Pentland as CFO.
- 29 February 2024: Capitol announced half-year earnings results for H1 FY24.
- 24 April 2024: Wilson Asset Management (WAM) increased its shareholding in Capitol from 9.8% to 11.2%.
- 17 June 2024: Capitol announced it entered into the Process Deed with Integral.
- 18 July 2024: Capitol and Integral signed the MID.
- 22 August 2024: Capitol announced earnings results for FY24.
- 27 August 2024: Capitol announced FY24 final dividend.

8.8.2 Relative performance

As illustrated in the figure below, Capitol shares underperformed the S&P/ASX 200 index for the 12 month period to 14 June 2024. This mainly reflects slow recovery in patient volumes from COVID-19 and near-term uncertainty of margins, given wage pressure across the healthcare sector. Following the announcement of the Process Deed, Capitol has traded broadly in line with the S&P/ASX 200 index.

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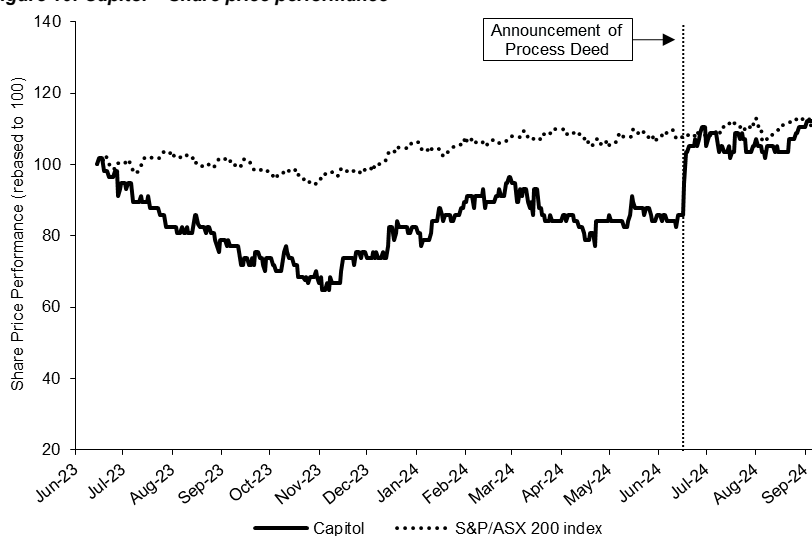
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Figure 10: Capitol – Share price performance



Source: S&P Capital IQ and KPMG Corporate Finance Analysis

8.8.3

Liquidity

The table below summarises the liquidity of Capitol shares pre and post the announcement of the Process Deed.

Table 12: Capitol – VWAP and liquidity analysis

Period	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital	Mean bid-ask %	Median bid-ask %
Period ended 14 June 2024 (pre-announcement of Process Deed)								
1 day	0.240	0.250	0.246	0.2	0.8	0.1%	2.0%	2.0%
1 week	0.235	0.250	0.242	0.7	3.0	0.3%	2.1%	2.0%
1 month	0.235	0.260	0.243	15.3	62.9	5.9%	2.2%	2.0%
3 months	0.220	0.265	0.241	33.3	138.0	13.0%	2.4%	2.0%
6 months	0.215	0.280	0.245	58.1	236.6	22.2%	2.5%	2.0%
12 months	0.185	0.290	0.230	130.1	565.0	53.1%	2.5%	2.1%
Period ended 21 August 2024 (post-announcement of Process Deed)								
Between announcement and FY24 results release ¹	0.270	0.318	0.300	65.6	218.7	20.5%	1.8%	1.7%
Period ended 13 September 2024 (post-announcement of FY24 results)								
Since FY24 results release ²	0.295	0.325	0.313	21.6	69.1	6.5%	1.6%	1.6%

Source: IRESS, S&P Capital IQ and KPMG Corporate Finance Analysis

Note:

- 1 15 June 2024 (inclusive) to 21 August 2024 (inclusive)
- 2 22 August 2024 (inclusive) to 13 September 2024 (inclusive)

Trading in Capitol shares has been moderately liquid over the twelve months to the announcement, reflecting the small cap nature of the stock.

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8.9 Strategy and outlook

Capitol's growth strategy is focused on growing organically, particularly through brownfield developments, including the installation of additional machines at existing clinics. Management is also focused on optimising the network through aligning labour resources to patient demand, reviewing the cost to serve clinics, and implementing a standard operating model across its clinics.

Management expects a steady recovery towards long term industry growth rates, driven by:

- recovery of GP attendances and digital imaging volumes
- closure of unprofitable clinics and reduction in low margin services
- Medicare fee indexation
- implementation of an assisted reporting software tool for radiologist efficiency
- the ageing of the population and increased prevalence of chronic disease and earlier detection
- focus on higher end modalities
- radiologist and specialist clinic staff recruitment, retention and training.

8.9.1 Broker consensus forecasts

In order to provide an indication of the future financial performance of Capitol, we have considered brokers' forecasts for Capitol. Summarised below are the mean and median consensus forecasts for FY25 and FY26.

Table 13: Capitol – Broker consensus forecasts

\$m	Audited	Mean Estimate		Median Estimate	
	FY24	FY25	FY26	FY25	FY26
Revenue	234.8	252.1	268.6	252.8	272.7
Operating EBITDA (post-AASB16 basis)	49.3	54.7	59.3	55.0	60.0
Lease cash payments (adjustment to pre-AASB16) ¹	(14.6)	(14.5)	(15.0)	(14.5)	(15.0)
Operating EBITDA (pre-AASB16 basis)	34.7	40.2	44.3	40.5	45.0
Revenue growth (%)	12.0%	7.4%	6.5%	7.6%	7.9%
EBITDA margin (%) (post-AASB16 basis)	21.0%	21.7%	22.1%	21.8%	22.0%
EBITDA margin (%) (pre-AASB16 basis)	14.8%	15.9%	16.5%	16.0%	16.5%

Source: Management, Broker reports and KPMG Corporate Finance Analysis

Note:

¹ Forecast FY25 and FY26 lease cash payments based on discussions with Management and KPMG Corporate Finance analysis

In relation to the table above, we note:

- Capitol was covered by nine brokers at the time of the announcement of the Process Deed, with eight of the nine brokers having issued updated reports post the announcement of Capitol's FY24 results
- the consensus forecasts represent the latest available broker forecasts for Capitol on a standalone basis

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- the brokers' forecasts expect further revenue growth over FY25 and FY26, coupled with margin expansion in the near term. To inform forecasts, most brokers' considered a continued recovery in GP referrals and patient volumes from COVID-19, an increase in Medicare funding (including MRI deregulation), Medicare indexation, the company's shift to higher-end modalities and a gradual tapering of labour costs and easing of goods inflation.



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9 Profile of Integral

9.1 Background

Integral is a healthcare services provider that specialises in diagnostic imaging services in Australia and NZ. As at 30 June 2024, Integral employs 155 radiologists (with a further 88 contractor radiologists) and 1,822 non-radiologist employees, across its 90 clinics. Integral also offers remote radiology interpretation services through IDXt, its overflow and after hours teleradiology platform. Integral is the fourth largest diagnostic imaging company in Australia and one of the largest operators in NZ by revenue.

Integral operates under several brands throughout VIC, Queensland (QLD), NSW, WA and NZ, as outlined in the table below.

Table 14: Integral – FY24 group overview

Integral Diagnostics						
Brand	Geography	Sites	MRI Machines	PET scanners	Employed radiologists	Employees
Lake Imaging	VIC	18	8	2	38	392
The X-Ray Group	VIC, NSW	5	2	0	4	74
Imaging Queensland	QLD	15	5	0	26	311
South Coast Radiology	QLD, NSW	17	9	2	38	449
X-Ray & Imaging	QLD	9	3	0	6	166
Apex Radiology	WA	6	3	1	10	205
AstraRadiology, SRGRadiology, TrinityMRI, HorizonRadiology	NZ	20	6	2	33	225
Total		90	36	7	155	1,822

Source: Integral FY24 Annual Report

Corporate history

Key milestones in Integral's history as set out in the table below:

Table 15: Integral – Corporate history

Date	Event
1967	South Coast Radiology (as it would later be known) was established.
2002	Lake Imaging was established.
2011	Lake Imaging acquired Western Medical Imaging.
2012	Lake Imaging acquired Ballarat MRI.
2014, April	Lake Imaging acquired 60% of Global Diagnostics, expanding its operations to WA.
2014, August	Lake Imaging merged with South Coast Radiology.
2015, June	Lake Imaging acquired the remaining 40% of Global Diagnostics.
2015, October	Lake Imaging was renamed Integral Diagnostics and listed on the ASX.
2016, May	Integral acquired Western District Radiology and a 50% interest in South West MRI.
2018, July	Integral acquired Specialist Radiology Group, Trinity MRI and Cavendish Radiology (four clinics), expanding its operations to NZ.
2018, July	Integral acquired Geelong Medical Imaging (two clinics).
2019, August	Integral acquired Imaging Queensland (eighteen clinics), expanding its operations to QLD.
2020, August	Integral launched IDXt, an overflow and after hours teleradiology service.
2020, September	Integral acquired Ascot Radiology (nine clinics).
2021, November	Integral acquired The X-Ray Group (five clinics).
2022, July	Integral acquired Peloton Radiology (nine clinics) and Horizon Radiology (eight clinics).

Source: Integral's Annual Reports, ASX Announcements and KPMG Corporate Finance Analysis

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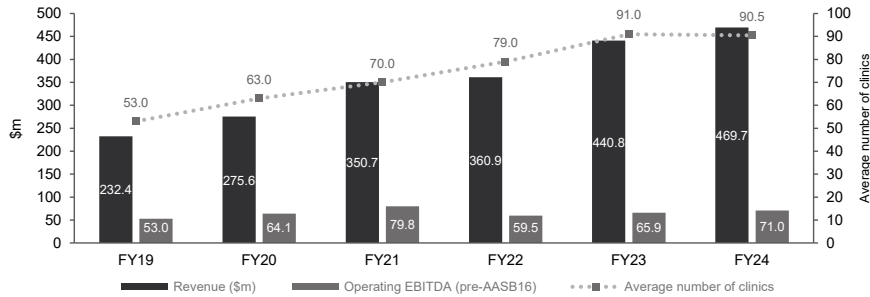


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Growth profile

Between FY19 and FY24, Integral's revenue grew at a CAGR of 15.1%, largely driven by the acquisitions of over 50 clinics²⁵. Integral's revenue growth was dampened by COVID-19, particularly in FY22 as the pandemic reached the regional clinics of the business. Integral's Operating EBITDA (pre-AASB16 basis) recorded a more modest CAGR of 6.0% over FY19 to FY24, impacted by significant labour cost pressures.

Figure 11: Integral – FY19 to FY24 sales revenue and Operating EBITDA (pre-AASB16)



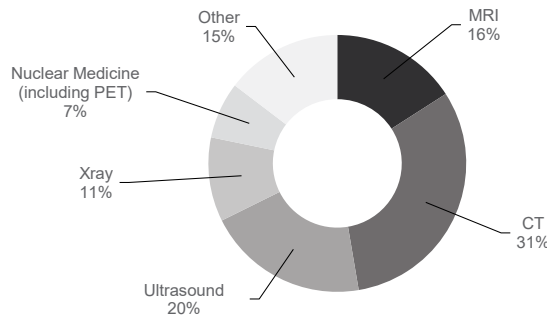
Source: Integral Annual Reports, ASX Announcements and KPMG Corporate Finance Analysis
Note: Number of clinics based on an average of opening and closing number of clinics for each FY

9.2 Business operations

9.2.1 Overview

Integral provides a full breadth of modalities, including ultrasound, X-ray, mammography, and interventional radiology (IR). Integral's service offerings are particularly weighted towards higher-end imaging modalities such as CT, MRI, and PET, which accounted for 54% of total FY24 revenue.

Figure 12: Integral – FY24 revenue by modality



Source: Management and KPMG Corporate Finance analysis

²⁵ Integral also opened greenfield clinics and closed clinics during this period.

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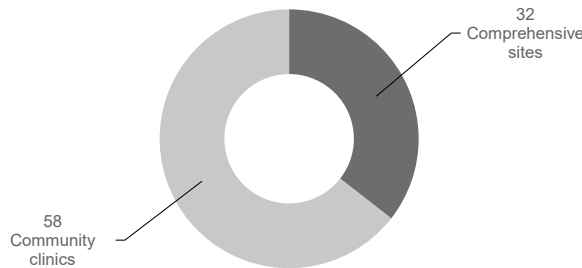
Business model

Integral’s operations are reliant on a steady supply of patients from its large network of referrers including GPs, medical specialists and allied health professionals. Integral has two types of clinics, appealing to different referrer pools:

- **comprehensive sites**, diagnostic imaging sites located within or near major specialist referrers, such as hospitals and medical specialists. These sites generally operate MRI and CT machines, which cater to more complex diagnostic requests
- **community clinics**, diagnostic clinics sites located for convenience in reach of GPs and family physicians.

The figure below outlines Integral’s current mix of comprehensive sites and community clinics. Integral has a relatively high proportion of comprehensive sites compared to its peers.

Figure 13: Integral – FY24 number of clinics by site type



Source: Integral FY24 Annual Report

The hospital-based sites typically operate under agreements whereby Integral pays rent to the hospital but manages its own equipment, medical supplies, radiology staff, and patient billing. Integral may be appointed as the exclusive onsite diagnostic imaging provider or provide only a portion of the hospital’s required services. A portion of Integral’s revenues are secured under long term contractual arrangements with major hospitals.

Integral currently owns 36 MRI machines, as follows:

- 17 fully licensed MRI machines
- 6 partially licensed MRI machines²⁶
- 7 unlicensed MRI machines held in Australia²⁷
- 6 unlicensed MRI machines held in NZ, which do not require licenses for reimbursement.

²⁶ From 1 July 2025, any practice that holds a license (including partial) will be provided full Medicare eligibility to all MRI equipment located at the practice.

²⁷ As of 1 November 2022, MRIs in regional, rural, or remote areas are no longer subject to licensing restrictions for Medicare rebates.

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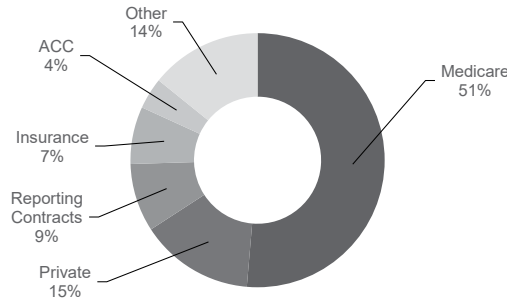


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It should also be noted that effective 1 July 2027, all MRI licensing requirements will cease, as discussed in Appendix 3.

As depicted in the figure below, approximately 51% of Integral's revenues are from Medicare, including bulk billing payments and Medicare rebates. A relatively high (compared to industry) 15% of Integral's revenue is from private out-of-pocket and non-rebatable procedures.

Figure 14: Integral – FY24 revenue source mix



Source: Management and KPMG Corporate Finance analysis

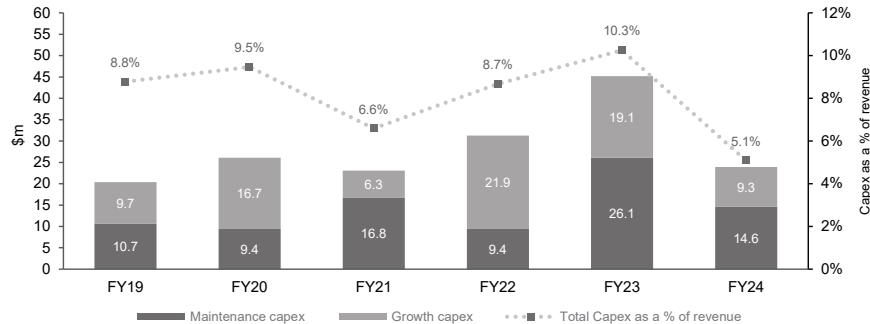
Notes:

- 1 ACC relates to revenue from the Accident Compensation Corporation in NZ
- 2 Other includes Workcover, Schedule, Transport Accident Commission (TCA), Department of Veteran's Affairs (DVA)

Capital expenditure

As illustrated below, Integral is a capital intensive business, having incurred \$23.9 million in capex during FY24. This is due to the need to upgrade equipment regularly to keep up with technology trends and competition (as referrers want up-to-date equipment) and to retain radiologists (who also want to work with the latest equipment). The relatively high maintenance capex in FY23 (\$26.1 million) compared to FY22 (\$9.4 million) and FY24 (\$14.6 million) has been largely attributed to timing of end of life equipment replacements.

Figure 15: Integral – FY19 to FY24 capex



Source: Integral Annual Reports, ASX Announcements and KPMG Corporate Finance analysis

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9.2.2 *Equity ownership model*

Integral’s operations rely on the expertise of its 243 radiologists (as of 30 June 2024), whereof 155 are employed and 88 are contractors, who are required to interpret and report on most diagnostic imaging scans. In response to a shortage of radiologists, Integral has offered equity ownership as an incentive for prospective radiologists and as a retention tool for existing radiologists.

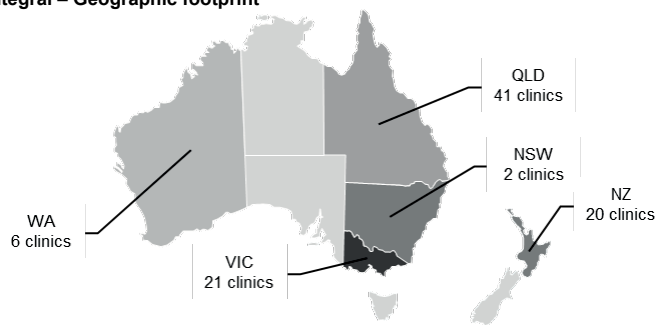
This equity offering is facilitated through either a 10 year limited recourse loan for Australian radiologists or options for NZ radiologists (**Radiologist Loan & Option Share Schemes**). Both schemes match the individual’s investment in Integral shares on a 2:1 basis. The company funded shares and options are kept in escrow for a minimum of four years with the offer capped each year as determined by Integral.

9.2.3 *Geographic footprint*

Integral operates through a geographically diverse network of both comprehensive sites and community clinics focused on the VIC, QLD and WA major regional markets and NZ’s North Island.

The figure below illustrates the geographic distribution of Integral’s clinics in Australia and NZ.

Figure 16: Integral – Geographic footprint



Source: Integral FY24 Annual Report
Note: Most of Integral’s Victorian clinics are located in regional Victoria.

9.2.4 *IDXt*

Integral’s teleradiology platform, IDXt, enables patients within Australian Capital Territory (ACT), SA, TAS and NZ’s South Island to access specialist radiology reporting services. IDXt provides overnight reporting during daytime hours, by using radiologists in different time zones. It provides approximately 80 contracted radiologists flexibility in the timing and location of their reporting.

IDXt serves both the internal network of Integral and external healthcare providers, including public hospitals and radiology practices. IDXt’s teleradiology services account for approximately 15% of Integral’s revenue in Australia.

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9.3 Financial performance

The financial performance of Integral for the three years ended 30 June 2024 is summarised below:

Table 16: Integral - Financial performance

\$m	Audited	Audited	Audited
	12 months 30-Jun-22	12 months 30-Jun-23	12 months 30-Jun-24
Services revenue	358.7	440.1	469.7
Other revenue and income ¹	2.2	0.7	-
Total revenue²	360.9	440.8	469.7
Consumables	(19.2)	(21.0)	(22.9)
Employee benefits expense	(219.6)	(276.6)	(294.3)
Transaction, restructuring and integration benefits/(expenses)	(5.5)	10.4	(2.9)
Share based payment reversal/(expense)	0.6	(2.5)	(1.6)
Equipment related expenses	(13.1)	(15.6)	(15.8)
Occupancy expenses	(8.0)	(7.8)	(9.9)
Technology expenses ³		(12.9)	(15.4)
Other expenses	(26.2)	(22.3)	(20.7)
Impairment expense	-	-	(74.6)
Share of net profits/(losses) of joint ventures accounted for using the equity method	(0.2)	(0.3)	(0.1)
Reported EBITDA	69.7	92.1	11.4
Depreciation expense	(20.6)	(25.5)	(27.9)
Amortisation expense	(16.1)	(18.0)	(19.0)
Interest income	0.0	0.4	0.9
Finance costs	(10.5)	(18.4)	(22.5)
Income tax	(8.0)	(5.6)	(3.6)
NPAT	14.6	25.0	(60.7)
Revenue growth (%)	2.9%	22.1%	6.6%
Reported EBITDA margin (%)	19.3%	20.9%	2.4%
Statutory NPAT margin (%)	4.0%	5.7%	(12.9%)
Staff costs as a % of revenue (%)	60.8%	62.8%	62.7%
Number of clinics (No.) ⁴	79.0	91.0	90.5
Revenue per clinic (\$m) ⁴	4.57	4.84	5.19

Source: FY24 and FY23 Annual Report and KPMG Corporate Finance analysis

Note:

- 1 Other revenue includes compensation payments received under equipment and leasehold contracts as well as labour cost charges to hospitals and Government (trainees and paid parental leave)
- 2 Interest income has been excluded from total revenue and other income for determining Reported EBITDA
- 3 Technology expenses were included in Other expenses in FY22
- 4 Number of clinics is based on an average of opening and closing number of clinics for each FY
- 5 Numbers may not add exactly due to rounding

As shown in the tables, Integral has demonstrated a gradual recovery in revenue over the three years ended 30 June 2024, achieving a CAGR of 14.1%. This has been largely supported through acquisitions, during a period of disruption from COVID-19 and increasing NZ competition. During this period, Integral's Operating EBITDA margin (post-AASB16) declined from 20.7% in FY22 to 19.3% in FY23, largely due to labour cost pressures. Operating EBITDA margin (post-AASB16) remained relatively constant at 19.5% in FY24 as the company continued to be impacted by prolonged cost pressures, especially higher labour costs, driven by inflation and labour market supply constraints.

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Table 17: Integral – Segment revenue

\$m	Audited	Audited	Audited
	12 months 30-Jun-22	12 months 30-Jun-23	12 months 30-Jun-24
Total revenue (Australia)	318.4	386.3	412.7
Total revenue (NZ)	42.6	54.9	57.9
Total revenue and other income¹	361.0	441.2	470.6
Australia revenue growth	4.5%	21.3%	6.8%
NZ revenue growth	(8.3%)	29.0%	5.4%
Australia revenue as a % of total revenue	88.2%	87.6%	87.7%
NZ revenue as a % of total revenue	11.8%	12.4%	12.3%

Source: FY24 and FY23 Annual Report

Note:

¹ Total revenue and other income includes interest income

Integral’s assessment of Operating EBITDA for the three years ended 30 June 2024 is summarised below.

Table 18: Integral – Operating EBITDA

\$m	Audited	Audited	Audited
	12 months 30-Jun-22	12 months 30-Jun-23	12 months 30-Jun-24
Reported EBITDA	69.7	92.1	11.4
<i>Adjustments</i>			
Remeasurement of contingent consideration liabilities	-	(15.8)	(1.3)
Transaction, restructuring and integration costs ¹	5.5	6.8	5.7
Share based payments	(0.6)	1.9	1.0
Share of net profit of joint ventures	0.2	0.3	0.1
Impairment expense	-	0.0	74.6
Other	0.1	-	-
Operating EBITDA (post-AASB16 basis)	74.8	85.2	91.5
Lease cash payments (adjustment to pre-AASB16)	(15.3)	(19.3)	(20.5)
Operating EBITDA (pre-AASB16 basis)	59.5	65.9	71.0
Operating EBITDA growth (%) (post-AASB16)	(20.0%)	13.9%	7.4%
Operating EBITDA growth (%) (pre-AASB16)	(25.5%)	10.8%	7.7%
Operating EBITDA margin (%) (post-AASB16)	20.7%	19.3%	19.5%
Operating EBITDA margin (%) (pre-AASB16)	16.5%	14.9%	15.1%

Source: FY24 and FY23 Annual Report and KPMG Corporate Finance analysis

Note:

¹ Includes \$1.4 million of labour costs that are classified as transaction, restructuring and integration costs to reflect the underlying financial performance of Integral

² Numbers may not add exactly due to rounding

³ Operating EBITDA (post-AASB16) represents Reported EBITDA after excluding the impact of exceptional and abnormal items. Operating EBITDA after cash lease payments is referred to as Operating EBITDA (pre-AASB16)

The normalisation adjustments to Reported EBITDA primarily relate to the following items:

- **remeasurement of contingent consideration liabilities**, related to adjustments in contingent consideration provisions for Imaging Queensland, X-Ray Group, Horizon Radiology and Peloton Radiology. A contingent consideration provision for an earn-out payment relating to Imaging Queensland was adjusted from \$12.4 million to \$2.2 million in FY23. Another provision for the potential second earn-out payment relating to Horizon Radiology was reassessed from \$1.4 million in FY23 to \$0.5 million in FY24
- **transaction and integration costs**, mostly in respect of the acquisitions of Peloton and Horizon, and systems implementation costs. This includes labour costs deemed by Integral as directly attributable, or resulting from non-operation transaction restructuring and

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integration activities (\$2.7 million in FY24), as well as further labour costs that are classified as transaction, restructuring and integration costs to reflect the underlying financial performance of Integral (\$1.4 million in FY24)

- **share based payments**, recognised in relation to employees (including senior management and radiologists) receiving remuneration and benefits in the form of share-based payments
- **share of net profit of joint ventures**, relates mostly to Integral's profit or loss from MedX²⁸
- **impairment expense**, relates to impairment of NZ operations (\$71.6 million) and brand intangibles (\$3.0 million) in FY24, discussed in Section 9.4
- **lease cash payments**, primarily reflects the cash lease expense relating to medical imaging clinics and offices and diagnostic imaging equipment, which are not reflected under AASB16 Leases.

The key drivers and factors in the historical financial performance include:

- in FY22, Integral's Australia segment recorded revenue growth of 4.5%, largely supported by the acquisition of the X-Ray Group. Excluding acquisitions, organic revenue growth in Australia was a more modest 1.6%, hindered by lower healthcare service attendance, COVID-19-related temporary site closures and restrictions on elective surgery. In the NZ segment, revenue declined by 8.3%. The segment's operations were significantly impacted by clinical referrers acquiring their own radiology practices and then redirecting referrals at the expense of other independent providers including Integral. Total operating expenses for both segments rose by 11.1%, predominantly due to higher employee costs. High employee costs have been attributed to the relatively fixed nature of labour costs, continued labour market supply constraints and inflation. Other cost pressures included insurance premiums, investment in cybersecurity and travel costs following the removal of COVID-19 restrictions. Overall, subdued revenue growth and cost increases resulted in Operating EBITDA (pre-AASB16) falling by 25.5% from the previous year
- in FY23, Integral recovered, reporting revenue growth of 22.1%. In Australia, organic revenue growth improved to 7.0%, which was mostly attributed to a recovery in patient volumes from COVID-19 and Medicare indexation of 1.6%. Australian revenue was also supported by inorganic growth from the acquisitions of the X-Ray Group (FY22) and Peloton Radiology (FY23). In NZ, revenue growth of 29.0% was largely driven by the acquisition of Horizon Radiology (FY23). NZ organic revenue grew at a more modest rate of 4.4%, due to competition from referrer-owned practices and the lack of price indexation. This was, however, partially offset in the second half of the year by "CPI like increases" with the majority of private health insurers. Total operating expenses for both segments grew by 19.9%, driven mostly by continued labour cost and inflation pressures. Employee benefit expenses grew by 26%, representing 62.8% of revenue. Operating costs outpaced revenue growth which resulted in a lower Operating EBITDA margin (pre-AASB16) of 14.9% when compared to 16.5% in FY22
- in FY24, Integral's revenue growth slowed to 6.6%, largely due to the absence of acquisitions. In Australia, organic revenue grew by 7.3%, attributed mostly to Medicare

²⁸ Established in 2021, MedX is a 50:50 teleradiology joint venture with Medica Group in the UK to build an international teleradiology business. In FY23, both parties agreed to effectively make the MedX joint venture dormant in the short to medium term as they focus resources on their home markets.



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indexation, selective price increases and an on-going move to higher-end modalities. In NZ, organic revenues grew by 5.3% (on a constant currency basis), attributed to efforts in diversifying the NZ referrer base to include more GPs. Integral continued to face significant cost pressures, especially higher labour costs, driven by inflation and labour market supply constraints. By accelerating productivity and efficiency initiatives in light of the announcement of an earning downgrade in November 2023, Integral contained operating cost growth to 5.9%. As a result of the efforts in revenue expansion and cost management, Integral realised 7.7% growth in Operating EBITDA (pre-AASB16). Integral's Operating EBITDA margin (pre-AASB16) saw minimal improvement, increasing slightly to 15.1%.

9.3.1 *Distributions*

The following table outlines distribution metrics of Integral for the three years ended 30 June 2024:

Table 19: Integral – Dividend metrics

	12 months 30-Jun-22	12 months 30-Jun-23	12 months 30-Jun-24
Weighted basic average number of shares (m)	209.37	232.72	233.50
Basic (loss) / earnings per share (cents)	7.0	10.8	(26.0)
Declared dividend payout ratio ¹	68.6%	77.9%	74.4%
Dividends declared per ordinary share (cents)	7.0	6.0	5.8

Source: FY24 and FY23 Annual Report and KPMG Corporate Finance analysis

Note:

¹ Calculated based on NPAT after excluding tax effective non-operating items

The number of shares on issue has increased, predominantly due to shares issued as consideration for acquisitions and the Radiologist Loan & Option Share Schemes.

In FY23, Integral declared a fully franked dividends of 6.0 cents per share, a decrease of 14.3% on the prior year, reflecting weaker Operating NPAT. This represents a higher payout ratio of 77.9% compared to 68.6% in FY22. In FY24, Integral declared fully franked dividends of 5.8c per share, representing a slightly lower payout ratio of 74.4%.

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9.4 Financial position

The financial position of Integral as at 30 June 2022, 30 June 2023 and 30 June 2024 is provided below:

Table 20: Integral – Financial position

\$m	Audited 30-Jun-22	Audited 30-Jun-23	Audited 30-Jun-24
Cash and cash equivalents	123.2	33.9	42.4
Trade receivables and other receivables	19.4	21.7	24.5
Income tax receivable	3.6	0.1	0.3
Other assets	6.5	5.3	5.9
Inventory	1.3	1.8	1.7
Total current assets	154.0	62.7	74.8
Property, plant and equipment	124.3	153.1	148.7
Right-of-use assets	106.9	129.4	121.6
Intangible assets	380.5	474.8	399.1
Deferred tax asset	17.3	3.8	-
Investments accounted for using the equity method	0.2	0.0	0.0
Total non-current assets	629.0	761.0	669.5
Total assets	783.0	823.8	744.3
Trade and other payables	22.9	31.1	32.8
Borrowings	5.5	2.5	2.2
Lease liabilities	11.7	14.2	14.0
Contingent consideration	16.4	7.5	9.2
Provisions	23.5	27.4	27.5
Total current liabilities	80.0	82.7	85.7
Contingent consideration	8.2	7.8	0.7
Borrowings	217.6	221.1	219.8
Lease liabilities	106.2	127.3	121.9
Deferred tax liability	14.2	2.4	3.8
Provisions	9.5	9.5	10.8
Total non-current liabilities	355.8	368.1	356.9
Total liabilities	435.8	450.7	442.6
Net assets	347.2	373.0	301.7
Contributed capital	322.5	333.3	335.0
Reserves	(12.5)	(9.8)	(8.3)
Retained profits	37.2	49.6	(25.0)
Total equity	347.2	373.0	301.7
Shares on issue (m)	229.1	233.0	233.9
Net debt (pre-AASB16) ¹ / Operating EBITDA (pre-AASB16)	1.7x	2.9x	2.5x

Source: FY24 and FY23 Annual Report and KPMG Corporate Finance analysis

Note:

- 1 Net debt represents borrowings less cash and cash equivalents
- 2 Numbers may not add exactly due to rounding



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We note the following in relation to Integral's historical financial position:

- net assets increased from \$347.2 million at 30 June 2022 to \$373.0 million at 30 June 2023. The increase is largely due to a \$94.3 million net increase in intangible assets. This included the recognition of \$60.9 million of goodwill for the acquisition of Peloton Radiology (FY23) and \$28.4 million of goodwill for the acquisition of Horizon Radiology (FY23)
- net assets decreased from \$373.0 million at 30 June 2023 to \$301.7 million at 30 June 2024, largely due to a \$75.7 million decrease in intangible assets. This decrease includes the impairment of \$71.6 million of goodwill relating to the NZ segment. The impairment reflects Integral's more modest growth expectations of its NZ segment in light of persistent cost inflation and tight labour supply market. The decrease in intangible assets also includes a further impairment of \$3.0 million for the retirement of certain brands relating to its Peloton Radiology (FY23) acquisition. As at 30 June 2024, nearly all value ascribed to customer contracts from recent acquisitions has been amortised, following the amortisation of \$1.5 million during FY24
- intangible assets of \$399.1 million at 30 June 2024 are comprised of \$373.3 million in goodwill, \$16.2 million in Australian brand names and trademarks and \$9.5 million in NZ brand names and trademarks. These relate to historical acquisitions. \$72.4 million of goodwill remains associated with the NZ operations
- working capital²⁹ decreased from a positive position of \$7.9 million at 30 June 2022 to a negative position of \$2.3 million at 30 June 2023, driven by the acquisitions of Peloton Radiology (FY23) and Horizon Radiology (FY23) working capital balances, as well as timing of payments. Integral's working capital requirements were minimal in FY24 (negative position of \$0.4 million)
- contingent consideration provisions of \$9.9 million at 30 June 2024 relate to the following acquisitions: (i) Imaging Queensland (\$7.7 million), (ii) the X-Ray Group (\$0.4 million), (iii) Peloton Radiology (\$0.9 million) and (iv) Horizon Radiology (\$0.5 million). The remaining \$0.4 million relates to deferred consideration. This is \$5.4 million less than at 30 June 2023, driven by payments of contingent and deferred consideration for Peloton Radiology (\$3.5 million) and X-Ray Group (\$0.2 million), and reassessment of provision relating to Peloton Radiology (\$0.7 million) and Horizon Radiology (\$0.9 million)
- provisions increased by \$3.9 million from 30 June 2022 to 30 June 2023, primarily due to acquiring \$2.8m of leave provision from Peloton Radiology and Horizon Radiology. They increased slightly by \$1.4 million at 30 June 2024, mainly due to long service leave.

9.4.1 Net debt

At 30 June 2024, Integral had a net debt (excluding standby letter of credit and bank guarantees) of \$179.5 million, comprising cash at bank of \$42.4 million and interest bearing liabilities of \$222.0 million.

Integral's net debt to Operating EBITDA (pre-AASB16) multiple increased from 1.7x in FY22 to 2.9x in FY23, mainly reflecting debt drawn down to fund the Peloton Radiology and Horizon Radiology acquisitions. The multiple decreased to 2.5x in FY24 which was within the financial

²⁹ Working capital is calculated as current assets (excluding cash and cash equivalents) less trade and other payables.

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covenant requirement of "not greater than 3.5x". Net unutilised available funding through secured bank facilities totals \$123.7 million.

Table 21: Integral – Total borrowings at 30 June 2024

\$m	Total facilities	Amount drawn	Available facility
Asset finance facility	55.5	2.2	53.3
Cash advance facility	290.1	219.8	70.4
Total borrowings	345.6	222.0	123.7

Source: FY24 Annual Report

Note:

- Numbers may not add exactly due to rounding
- Total borrowings excludes standby letter of credit and bank guarantees and commercial cards

Current debt facilities have a five-year term to February 2026 and Integral is compliant with all covenants under the debt facility.

9.5

Cash flow

The cash flow statement of Integral for the three years ended 30 June 2024 is summarised below:

Table 22: Integral – Cash flow statement

\$m	Audited	Audited	Audited
	12 months 30-Jun-22	12 months 30-Jun-23	12 months 30-Jun-24
Cash flow from operating activities			
Receipts from customers	357.0	440.4	465.9
Payments to suppliers and employees	(286.7)	(349.8)	(378.1)
Transaction and integration costs relating to acquisitions	(5.5)	(4.0)	(2.1)
Interest and other finance costs paid	(10.3)	(17.8)	(22.1)
Interest received	0.0	0.4	0.9
Income tax paid	(17.4)	(2.0)	1.7
Net operating cash flows	37.1	67.3	66.2
Cash flow from investing activities			
Purchase of subsidiary, net of cash acquired	(24.6)	(84.8)	-
Settlement of contingent consideration	(3.3)	(0.2)	(4.0)
Purchase of property, plant and equipment	(27.8)	(44.0)	(23.9)
Net investing cash flows	(55.7)	(129.0)	(27.9)
Cash flow from financing activities			
Proceeds from issue of share capital	91.8	2.2	1.7
Transaction costs paid on issue of share capital	(2.9)	-	-
Proceeds from borrowings drawn	114.2	43.0	-
Repayment of borrowings	(89.8)	(45.2)	(2.4)
Repayment of the principal element of lease liabilities	(11.3)	(15.0)	(14.9)
Dividends paid to Company shareholders	(20.9)	(12.6)	(13.8)
Net financing cash flows	81.1	(27.6)	(29.5)
Net (decrease) / increase in cash and cash equivalents	62.5	(89.4)	8.8
Cash and cash equivalents at the beginning of the financial year	62.2	123.2	33.9
Effects of exchange rate changes on cash and cash equivalents	(1.6)	0.1	(0.2)
Cash and cash equivalents at the end of the financial year	123.2	33.9	42.4

Source: FY24 and FY23 Annual Report and KPMG Corporate Finance analysis

Note: Numbers may not add exactly due to rounding



We note the following in relation to Integral’s cash flows:

- Integral’s cash balance decreased from \$123.2 million at 30 June 2022 to \$33.9 million at 30 June 2023. This was largely due to net investing cash outflows of \$84.8 million for the acquisitions of Peloton Radiology (\$58.3 million) and Horizon Radiology (\$26.5 million). The company’s cash balance increased slightly to \$42.4 million at 30 June 2024, driven by an increase in Operating EBITDA (post-AASB16), as well as changes in the working capital profile driven by timing of payments
- investing cash flow for property, plant and equipment of \$27.8 million in FY22 related mostly to growth capex, which was driven by the development of three new greenfield sites and the brownfield upgrade of existing clinics. FY22 capex also included replacement capex for information technology (IT) upgrades and replacement of various imaging machines. In FY23, cash outflow for property, plant and equipment of \$44.0 million related mostly to replacement capex, reflecting capital sensitivity requirements, site refurbishments and other end of life equipment replacements. FY23 growth capex included two new greenfield sites and various service offering expansions at existing clinics. In FY24, total capex was significantly lower at \$23.9 million, of which \$14.6 million related to equipment replacement and \$9.3 million related to growth opportunities, including two clinic expansions and two greenfield initiatives. FY24 capex also includes IT software, infrastructure and cyber security investment of \$4.7 million
- cash outflows for principal repayment of lease liabilities increased significantly from \$11.3 million in FY22 to \$15.0 million in FY23, mainly due to lease liabilities from recent acquisitions. This remained relatively consistent at \$14.9 million in FY24.

9.6 Board of directors

The current Directors of Integral are set out below.

Table 23: Integral – Board of directors

Name	Board Position
Toby Hall	Independent Non-Executive Chair
Ian Kadish	Managing Director and Chief Executive Officer
Raelene Murphy	Non-Executive Director
Andrew Fay	Non-Executive Director
Ingrid Player	Non-Executive Director

Source: Integral FY24 Annual Report

9.7 Equity capital

9.7.1 Ordinary shares on issue

Integral has 234.0 million undiluted shares on issue.

The following table outlines the substantial shareholders in Integral.

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Table 24: Integral – Substantial shareholders

Shareholder	Number held (millions)	Percentage of shares issued (%)
Yarra Capital Management Limited	22.87	9.8
Viburnum Funds Pty Ltd	16.11	6.9
IDX Staff Holdings	13.47	5.8
Total	52.44	22.4

Source: Scheme Booklet

IDX Staff Holdings are restricted shares issued under voluntary escrow arrangements and employee incentive schemes, such as the Radiologist Loan & Options Scheme.

9.7.2 *Employee incentive plans*

Integral's short term incentive (**STI**) plan comprises a cash component and deferred equity performance rights. The performance rights are subject to a service condition, clawback and restrictions on dealing.

Integral's long term incentive (**LTI**) plan performance rights are subject to measurement against hurdles set for KPIs. The performance rights do not carry any dividend or voting rights prior to vesting, and are subject to clawback.

Further detail on Integral's employee incentive plans are provided in Section 9.9 of the Scheme Booklet.

9.8 *Trading performance*

In analysing Integral's share price performance, we have:

- analysed price and volume performance for the 12 months to 14 June 2024 (being the last trading day prior to the announcement of the Process Deed)
- compared Integral's share price movement to the S&P/ASX 200 index for the 12 months to 14 June 2024
- considered the VWAP and trading liquidity of Integral shares for the period pre and post the announcement of the Scheme.

9.8.1 *Share price and volume performance*

Integral's share price performance and the volume of shares traded for the 12 month period to 14 June 2024 is illustrated below.

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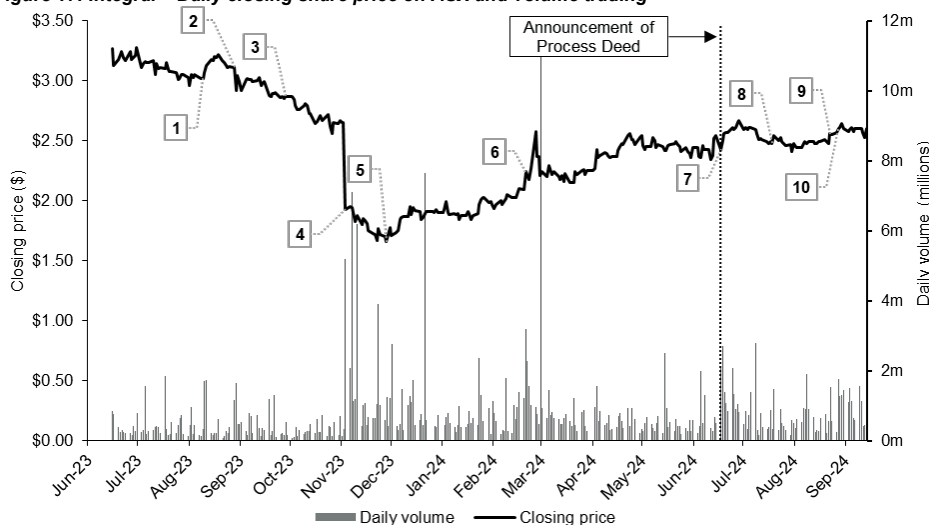
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Figure 17: Integral – Daily closing share price on ASX and volume trading



Source: IRESS and KPMG Corporate Finance Analysis

Integral announcements identified as being price sensitive over the 12-month period to 14 June 2024, and for the subsequent period to 13 September 2024 include:

1. 10 August 2023: Integral announced the appointment of Ingrid Player (independent non-executive Director) and resignation of John Atkin (independent non-executive Director).
2. 28 August 2023: Integral announced earnings results for FY23.
3. 28 September 2023: Integral announced that Helen Kurincic would retire from Chair and independent non-executive Director.
4. 3 November 2023: Integral provided a trading update, announcing the business' Operating EBITDA margin had not improved as anticipated.
5. 29 November 2023: Integral held its annual general meeting and Toby Hall was appointed as Chair.
6. 20 February 2024: Integral announced half-year earnings results for H1 FY24.
7. 17 June 2024: Integral announced it had entered into the Process Deed with Capitol.
8. 18 July 2024: Integral and Capitol signed the MID.
9. 22 August 2024: Capitol announced earnings results for FY24.
10. 27 August 2024: Integral announced earnings results and final dividend for FY24.

9.8.2 *Relative performance*

As illustrated in the figure below, Integral shares underperformed the S&P/ASX 200 index by 16% prior to its trading update in November 2023, upon which it declined a further 24% relative

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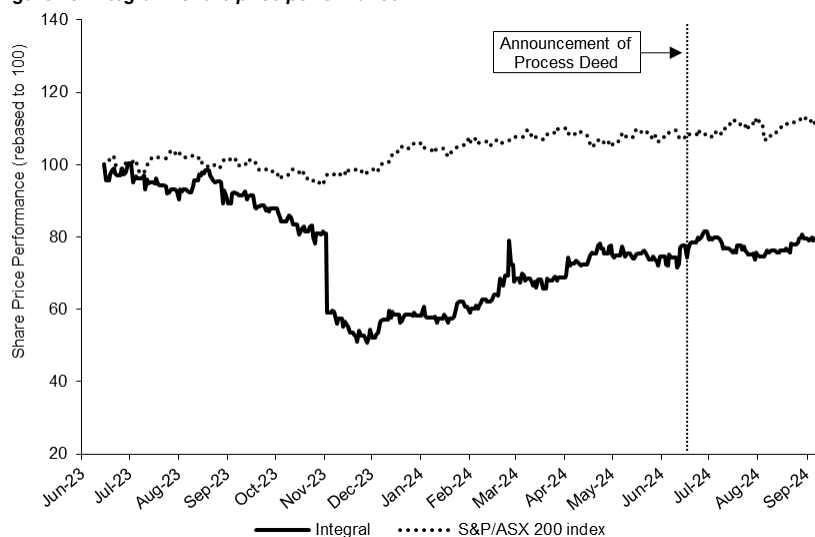
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to the index, due to Operating EBITDA margins not improving as anticipated. Since the trading update in November 2023, Integral shares have been broadly in line with the index and slightly recovered some of the initial underperformance.

Figure 18: Integral – Share price performance



Source: S&P Capital IQ and KPMG Corporate Finance Analysis

9.8.3

Liquidity

The table below summarises the liquidity of Integral shares pre and post the announcement of the Scheme.

Table 25: Integral – VWAP and liquidity analysis

Period	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital	Mean bid-ask %	Median bid-ask %
Period ended 14 June 2024 (pre-announcement of Process Deed)								
1 day	2.44	2.59	2.53	1.3	0.5	0.2%	0.8%	0.8%
1 week	2.30	2.59	2.46	4.6	1.9	0.8%	0.7%	0.8%
1 month	2.29	2.59	2.43	29.7	12.2	5.2%	0.5%	0.4%
3 months	2.09	2.59	2.39	89.4	37.4	16.0%	0.5%	0.4%
6 months	1.80	2.59	2.18	224.2	102.9	44.0%	0.6%	0.4%
12 months	1.64	3.28	2.27	443.7	195.1	83.5%	0.6%	0.4%
Period ended 27 August 2024 (post-announcement of Process Deed)								
Between announcement and FY24 results release ¹	2.29	2.72	2.53	110.8	43.8	18.7%	0.5%	0.4%
Period ended 13 September 2024 (post-announcement of FY24 results)								
Since FY24 results release ²	2.51	2.67	2.60	36.0	13.9	5.9%	0.7%	0.4%

Source: IRESS and KPMG Corporate Finance Analysis

Note:

- 15 June 2024 (inclusive) to 26 August 2024 (inclusive)
- 27 August 2024 (inclusive) to 13 September 2024 (inclusive)

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83.5% of Integral's share capital has been traded in the 12 months to the announcement of the Process Deed, indicating a relatively high level of market liquidity.

9.9 Strategy and outlook

Integral's short term focus is to:

- drive organic earnings growth through continued focus on execution of key operational improvement initiatives
- accelerate use of teleradiology, digital and artificial intelligence (AI) to improve the patient and referrer experience and doctor efficiency
- drive environmental, social and governance (ESG) strategy
- lead through the Integral values
- as balance sheet capacity permits, consider accretive mergers and acquisitions that represent a strong clinical, cultural and strategic fit
- complete the expected transformational merger with Capitol in the fourth quarter of 2024.

9.9.1 Broker consensus forecasts

In order to provide an indication of the future financial performance of Integral, we have considered brokers' forecasts. Summarised below are the median consensus forecasts for FY25 and FY26 (prior to the combination of Capitol).

Table 26: Integral – Broker consensus forecasts

\$m	Audited	Mean Estimate		Median Estimate	
	FY24	FY25	FY26	FY25	FY26
Revenue	469.7	505.7	537.0	506.8	539.7
Operating EBITDA (post-AASB16 basis)	91.5	102.8	113.3	103.2	113.7
Lease cash payments (adjustment to pre-AASB16) ¹	(20.5)	(21.0)	(22.1)	(21.0)	(22.1)
Operating EBITDA (pre-AASB16 basis)	71.0	81.8	91.2	82.2	91.6
Revenue growth (%)	6.6%	7.7%	6.2%	7.9%	6.5%
EBITDA margin (%) (post-AASB16 basis)	19.5%	20.3%	21.1%	20.4%	21.1%
EBITDA margin (%) (pre-AASB16 basis)	15.1%	16.2%	17.0%	16.2%	17.0%

Source: Management, Broker reports and KPMG Corporate Finance Analysis

Note:

¹ Forecast FY25 and FY26 lease cash payments provided by Integral Management and KPMG Corporate Finance analysis

In relation to the table above, we note:

- Integral is covered by 14 brokers
- the consensus forecasts represent the latest available broker forecasts for Integral on a standalone basis.

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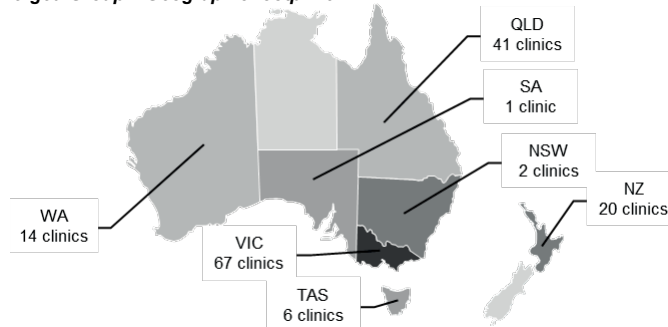


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10 Merged Group

Following the merger of Capitol and Integral, Integral will become the ultimate holding company of Capitol and its subsidiaries. The Merged Group will create the third largest Australian diagnostic imaging services provider by revenue, comprising 151 clinics with approximately 350 radiologists and approximately 3,000 employees³⁰.

Figure 19: Merged Group – Geographic footprint



Source: Investor Presentation, Annual Reports

Under the Scheme, Integral will remain an ASX listed entity and Capitol will be delisted. Integral and Capitol have agreed that Capitol's CEO and Managing Director (**MD**), Justin Walter, will take up the transitional role of Chief Integration Officer in the Merged Group for a period of two years. Ian Kadish will remain CEO and MD of Integral post the merger.

If the Scheme is implemented, Capitol Shareholders will own approximately 37%³¹ of the Merged Group. Capitol Shareholders will gain exposure to the investment characteristics of the Merged Group, including:

- geographical diversification:** there is minimal overlap between Integral and Capitol's existing geographical footprints as Integral clinics are predominantly located in regional areas whilst Capitol clinics are in mostly metro areas. The Merged Group will therefore benefit from greater diversification across both regional and metro areas, while maintaining geographic concentration in select states
- synergies:** Integral has identified potential near term pre-tax net cost synergies of approximately \$10 million per year, which are expected to be achieved within the first two years following implementation. These mainly relate to consolidation of overlapping corporate function costs, listed company costs, indirect procurement and clinical costs (discussed in Section 10.2.1 of the Scheme Booklet). Furthermore, Integral intends to pursue potential revenue synergies from doctor productivity improvements (such as sub-

³⁰ As of 30 June 2024. Number of employees Includes contracted radiologists.

³¹ Based on 234.0 million Integral shares on issue and assuming 1,072.6 million Capitol shares on issue on the Scheme Record Date. The total number of new Integral Shares that Integral will issue under the Scheme is 137.8 million and is calculated based on the Scheme Consideration of 0.12849 new Integral Shares for each Capitol Share. Accordingly, the number of Integral Shares on issue on implementation of the Scheme will be 371.8 million.

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specialisation of radiologists) and network benefits (such as cross-referral of radiology services)

- **increased financial capability:** the Merged Group will have a strong financial position to pursue further value-accretive investments with a pro-forma net debt to EBITDA (pre-AASB16) leverage ratio of 2.6³² times (which is expected to continue trending downwards). This includes an improved ability to invest in costly higher-end imaging modalities, such as MRI and PET/CT, and undertake further acquisitions
- **increased operating scale:** the Merged Group will benefit from increased access to sub-specialty expertise across the network, greater network density and broader referral networks. The greater scale is also expected to attract and retain highly-skilled radiologists and clinical staff and enable a wider breadth of service offerings
- **technology opportunity:** the Merged Group is expected to be better positioned to invest in technology and AI. There will be an opportunity to deploy Integral's advanced AI-enabled clinical technology, driving productivity gains, enhancing detection capabilities and reducing turnaround times for patients
- **teleradiology capability:** the Merged Group will offer Capitol's radiologists the opportunity to participate in IDXt which is expected to significantly increase the scale and revenue contributions from IDXt
- **revenue sources mix:** the Merged Group, when compared to Capitol, may benefit from diversification associated with a more balanced weighting of hospital sites and reduced reliance on GP referrals and bulk billing.

Capitol Shareholders will be exposed to risk factors relating to Integral, and to certain additional risks relating to the Merged Group, these include *inter alia*:

- **integration of operations:** the Merged Group's success and profitability could be adversely affected if Capitol's business is not effectively integrated with Integral. There is the risk that synergies may not be realised or may be realised over a time frame that is longer than anticipated or that implementation costs are higher than anticipated
- **financial risks:** Capitol had a net debt to Operating EBITDA (pre-AASB16) ratio of 1.9 times at 30 June 2024 (refer to Section 8.4). The Merged Group is expected to have a ratio of 2.6 times (refer to Section 10). The higher ratio could expose Capitol Shareholders to additional risks, including but not limited to:
 - reduction in the ability of the Merged Group to pay dividends in the short term
 - as per Table 28, the combined group would have an Operating EBITDA (post-AASB116) of \$140.8m, which in FY24 would have been sufficient to fund the combined

³² Leverage ratio is calculated as net debt divided by EBITDA, using Integral and Capitol adjusted net debt (excluding lease liabilities) as at 30 June 2024 of \$183.5 million and \$64.5 million respectively. Net debt, which comprises borrowings net of cash, has been adjusted to include Integral and Capitol total off-balance sheet bank guarantees and other debt-like items of \$9.0 million. Merged Group net debt has been adjusted to include the post-tax estimated transaction costs related to the Scheme of \$20.5 million (\$0.3 million of total post-tax transaction costs of \$20.8 million related to the Scheme have already been paid by Integral and Capitol in FY24), post-tax estimated one-off integration costs of \$8.8 million, and accelerated Capitol joint venture liability costs of \$21.2 million. EBITDA based on Integral Operating EBITDA after cash lease payments of \$71.0 million, Capitol Operating EBITDA after cash lease payments of \$34.7 million and \$10 million of anticipated annual pre-tax net cost synergies.

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group's financing costs, leases and capital expenditure, without relying on assumed cost synergies. However, there is an increase in overall portion of cash from operating activities required to pay financing costs

- reduction in its flexibility to undertake acquisitions given the cash flow requirements to meet higher debt commitments
- increased vulnerability to changes in the economic, credit and financial market conditions that have an adverse effect on the overall borrowing environment
- **regional and NZ exposure:** Capitol Shareholders will have increased exposure to the regional markets in which Integral predominantly operates. This market has historically faced a different risk profile, including higher labour costs and lower rates of utilisation. Capitol Shareholders will also be exposed to the currency fluctuations and the NZ market which has a different regulatory environment and funding structures. Additional risks inherent in Integral's global operations include the cost and difficulties of managing international operations and associated adverse tax consequences of another jurisdiction
- **key personnel:** while the Merged Group has secured Justin Walter as Chief Integration Officer for a period of two years, the potential loss of other senior management personnel from Capitol's business could adversely effect the Merged Group and day-to-day operations
- **hospital contract exposure:** Capitol Shareholders will have exposure to Integral's hospital contracts, which have not been a focus of Capitol. The risk of losing such contracts, or competitors entering the market may have a negative impact on the Merged Group revenue and profitability.

10.1 **Pro-forma historical financial information**

Financial performance

The pro-forma financial performance of the Merged Group for the year ended 30 June 2024 is summarised in the table below.

The detailed pro forma historical financial performance for the Merged Group (including a description of the assumptions and adjustments made) is set out in Section 10.8.5 of the Scheme Booklet. The historical pro forma financial information has been prepared by Integral and reviewed by the investigating accountant Ernst & Young Strategy and Transactions Limited (EY). EY's Independent Limited Assurance Report is set out in Annexure 2 of the Scheme Booklet.

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Table 27: Merged Group – Pro-forma historical financial performance

\$m	12 months	12 months	12 months	12 months
	30-Jun-24	30-Jun-24	30-Jun-24	30-Jun-24
	Capitol	Integral	Pro Forma Adjustments	Merged Group
Revenue	234.8	469.7	-	704.5
Interest and other income	-	0.9	-	0.9
Total revenue and other income	234.8	470.6	-	705.4
Expenses				
Consumables	(7.8)	(22.9)	-	(30.8)
Employee benefits expense	(147.9)	(294.3)	-	(442.2)
Depreciation	(12.4)	(27.9)	-	(40.3)
Amortisation expense	(14.7)	(19.0)	-	(33.6)
Transaction and integration costs	(2.8)	(2.9)	2.2	(3.5)
Share based payment expense	(0.3)	(1.6)	-	(1.9)
Equipment related expenses	(6.4)	(15.8)	-	(22.2)
Occupancy expenses	(6.6)	(9.9)	-	(16.5)
Technology expenses	(8.3)	(15.4)	-	(23.7)
Other general expenses	(8.3)	(20.7)	-	(29.0)
Fair value movements	(21.2)	-	20.5	(0.7)
Impairment expense	(2.3)	(74.6)	-	(76.9)
Finance costs	(7.4)	(22.5)	-	(30.0)
Share of net profits / (losses) of joint ventures accounted for	-	(0.1)	-	(0.1)
Total expenses	(246.3)	(527.7)	22.7	(751.3)
Profit before income tax	(11.5)	(57.1)	22.7	(45.9)
Income tax expense	(3.3)	(3.6)	(0.7)	(7.5)
NPAT	(14.8)	(60.7)	22.0	(53.4)
NPAT margin (%)	(6.3%)	(12.9%)	n/a	(7.6%)
Staff costs % revenue (%)	(63.0%)	(62.5%)	n/a	(62.7%)
Number of clinics (No.) ¹	65.5	90.5	n/a	156.0
Revenue per clinic (A\$m) ¹	3.6	5.2	n/a	4.5

Source: FY24 and FY23 Capitol and Integral Annual Reports, Scheme Booklet and KPMG Corporate Finance analysis

Note:

¹ Number of clinics is based on an average of opening and closing number of clinics for each FY

² Numbers may not add exactly due to rounding

The pro-forma assessment of Operating EBITDA for the Merged Group for the year ended 30 June 2024 is summarised in the table below.

The detailed pro forma historical assessment of Operating EBITDA for the Merged Group (including a description of the assumptions and adjustments made) is set out in Section 10.8.8 of the Scheme Booklet.

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Table 28: Merged Group – Pro-forma historical Operating EBITDA

\$m	12 months	12 months	12 months
	30-Jun-24	30-Jun-24	30-Jun-24
	Capitol	Integral	Merged Group
Statutory historical NPAT	(14.8)	(60.7)	(75.5)
Remeasurement of contingent consideration liabilities	20.7	(1.3)	
Tax on significant items	(0.5)	-	
Unrealised foreign exchange loss / (loss)	0.1	-	
Transaction, restructuring and integration costs	2.8	3.4	
Share based payment expenses	-	1.0	
Share of net profit of joint ventures	-	0.1	
Amortisation of customer contracts	-	1.1	
Impairment expense	2.8	74.6	
Operating NPAT (post-AASB16)	11.0	18.1	29.1
Finance costs	7.4	22.5	29.9
Other income	-	(0.9)	(0.9)
Income tax expense	3.8	6.3	10.1
Depreciation	14.9	27.9	42.8
Amortisation of ROU assets	12.2	17.5	29.6
Operating EBITDA (post-AASB16)	49.3	91.5	140.8

Source: Scheme Booklet

Note:

- 1 Operating EBITDA is determined as profit before depreciation and amortisation, net finance costs, income tax and prior to significant non-operating items including changes in fair value of financial assets and liabilities, impairment of non-current assets, transaction and restructuring costs, and unrealised foreign exchange gain/(loss)
- 2 Operating NPAT (post-AASB16) is calculated as statutory net profit after tax, after excluding tax effective non-operating items
- 3 Numbers may not add exactly due to rounding

Financial position

The pro-forma financial position of the Merged Group as at 30 June 2024 is summarised in the table below.

The detailed pro forma historical financial position for the Merged Group (including a description of the assumptions and adjustments made) is set out in Section 10.8.6 of the Scheme Booklet.

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Table 29: Merged Group – Pro-forma historical financial position

	30-Jun-24	30-Jun-24	30-Jun-24	30-Jun-24
\$m	Capitol	Integral	PF Adjustments	Merged Group
Cash and cash equivalents	24.1	42.4	(41.7)	24.8
Trade and other receivables	5.1	24.5	-	29.6
Income tax payable	-	0.3	-	0.3
Other assets	2.2	5.9	-	8.1
Inventory	-	1.7	-	1.7
Total current assets	31.4	74.8	(41.7)	64.5
Property plant and equipment	60.7	148.7	-	209.4
Right-of-use assets	54.3	121.6	-	175.9
Intangible assets	173.0	399.1	243.2	815.3
Deferred tax asset	-	-	-	-
Investments accounted for using the equity method	-	0.0	-	0.0
Intercompany receivable	0.1	-	-	0.1
Total non-current assets	288.1	669.5	243.2	1,200.8
Total assets	319.5	744.3	201.5	1,265.3
Trade and other payables	22.7	32.8	(1.2)	54.3
Borrowings	-	2.2	-	2.2
Current tax liabilities	2.0	-	-	2.0
Lease liabilities	11.2	14.0	-	25.2
Contingent consideration	-	9.2	-	9.2
Provisions	11.9	27.5	-	39.4
Other financial liabilities	23.0	-	(21.2)	1.8
Total current liabilities	70.8	85.7	(22.4)	134.1
Contingent consideration	-	0.7	-	0.7
Borrowings	82.8	219.8	-	302.6
Lease liabilities	49.9	121.9	-	171.8
Deferred tax liability	1.0	3.8	-	4.8
Intercompany payables	0.3	-	-	0.3
Provisions	4.0	10.8	-	14.7
Total non-current liabilities	138.0	356.9	-	494.9
Total liabilities	208.8	442.6	(22.4)	629.0
Net assets	110.7	301.7	224.0	636.3
Contributed capital	161.1	335.0	193.0	689.1
Reserves	4.8	(8.3)	(4.8)	(8.3)
Retained profits	(55.0)	(25.0)	35.7	(44.2)
Non-controlling interests	(0.2)	-	-	(0.2)
Total Equity	110.7	301.7	224.0	636.3

Source: FY24 and FY23 Capitol and Integral Annual Reports, Scheme Booklet and KPMG Corporate Finance analysis

Note: Numbers may not add exactly due to rounding

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Cash flow

The pro-forma cash flows of the Merged Group for the year ended 30 June 2024 is summarised in the table below.

The detailed pro forma historical cash flows for the Merged Group (including a description of the assumptions and adjustments made) is set out in Section 10.8.7 of the Scheme Booklet.

Table 30: Merged Group – Pro-forma historical cash flow

	12 months	12 months	12 months	12 months
	30-Jun-24	30-Jun-24	30-Jun-24	30-Jun-24
\$m	Capitol	Integral	PF Adjustments	Merged Group
Cash flow from operating activities				
Receipts from customers	235.6	465.9	-	701.5
Payments to suppliers and employees	(186.4)	(378.1)	-	(564.5)
Transactions and integration costs relating to acquisition of subsidiaries	(2.8)	(2.1)	0.3	(4.6)
Interest and other finance costs paid	(7.4)	(22.1)	-	(29.5)
Interest received	0.5	0.9	-	1.3
Income taxes paid	(3.2)	1.7	-	(1.5)
Net operating cash flows	36.2	66.2	0.3	102.7
Cash flow from investing activities				
Payments for purchase of subsidiary, net of cash acquired	(0.9)	-	-	(0.9)
Payments in settlement of contingent consideration	-	(4.0)	-	(4.0)
Payments for property, plant and equipment	(19.0)	(23.9)	-	(42.9)
Proceeds on sale of investment	1.3	-	-	1.3
Net investing cash flows	(18.5)	(27.9)	-	(46.4)
Cash flow from financing activities				
Proceeds from issue of share capital	0.5	1.7	-	2.2
Proceeds from borrowings drawn	10.0	-	-	10.0
Repayment of borrowings	-	(2.4)	-	(2.4)
Repayment of principal element of lease liabilities	(12.4)	(14.9)	-	(27.4)
Dividends paid to Company shareholders	(10.8)	(13.8)	-	(24.6)
Net financing cash flows	(12.7)	(29.5)	-	(42.2)
Net increase/(decrease) in cash and cash equivalents	4.9	8.8	0.3	14.1
Cash and cash equivalents at the beginning of the year	19.1	33.9	-	53.0
Effects of exchange rate changes on cash and cash equivalents	-	(0.2)	-	(0.2)
Cash and cash equivalents at end of the financial year	24.1	42.4	0.3	66.8

Source: FY24 and FY23 Capitol and Integral Annual Reports, Scheme Booklet and KPMG Corporate Finance analysis
Note: Numbers may not add exactly due to rounding

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11 Valuation of Capitol

11.1 Valuation summary

We have valued 100% of the equity in Capitol in the range of \$298.2 million to \$348.2 million, which corresponds to a value of \$0.278 to \$0.325 per Capitol Share. Our valuation assumes 100% ownership of Capitol and therefore incorporates a control premium. Given the inclusion of a control premium, we would expect our valuation to exceed the value of the Capitol trading price in the absence of a takeover offer.

The assessed value of equity reflects the estimated market value for Capitol's business operations (enterprise value) after deducting net debt and Capitol's joint venture minority interests. Our valuation of Capitol is summarised below and detailed in the remainder of this section.

Table 31: Capitol valuation summary

\$m (unless otherwise stated)	Section reference	Value range	
		Low	High
Enterprise value (on a control basis)	11.3	390.0	440.0
Less: net debt	11.5	(58.8)	(58.8)
Less: joint venture minority interests	11.6	(33.1)	(33.1)
Equity value (on a control basis)		298.2	348.2
Fully diluted number of Capitol shares on issue (million)	8.7.1	1,072.6	1,072.6
Value per Capitol Share (\$)		0.278	0.325

Source: KPMG Corporate Finance Analysis

11.2 Valuation methodology

11.2.1 Overview

In determining the value of Capitol, we have used the International Valuation Standards (IVS) definition of market value, being the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Market value excludes 'special value', which is an estimated price inflated or deflated by special terms or circumstances granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation has had regard to the additional value resulting from estimated net corporate cost savings that would generally be available to a pool of purchasers, both financial and trade buyers. It does not include any other operational or financing synergies that may be only available to a very limited number of potential buyers.

Market value is commonly derived by applying one or more of the following valuation methodologies³³:

- Capitalised Earnings
- DCF
- estimated net proceeds from an orderly realisation of assets (**Net Assets**)

³³ Valuation methodologies are consistent with RG111 and IVS.

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- rules of thumb, and
- current trading prices on the relevant securities exchange.

These methodologies are discussed in further detail in Appendix 4. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is often adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as Capitalised Earnings and DCF are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich, Net Assets is typically adopted as there tends to be minimal goodwill, if any. For listed companies, the trading price typically provides an indication of the value of a minority interest where trading is liquid and no takeover speculation is evident.

11.2.2 Selection of methodology

For the valuation of Capitol's business operations, we adopted Capitalised Earnings as our primary methodology and a DCF as a secondary methodology. This was based on the following considerations:

- a Capitalised Earnings methodology is commonly used to value businesses and operations that have a demonstrated history of recurring earnings and expected ongoing profitability, which is the case for Capitol. Capitol operates in a relatively mature industry, in which it has well established market positions in the geographies in which it operates. Further, there is sufficient market evidence available from which a meaningful earning multiple can be derived, including an adequate number of transactions involving companies with operations sufficiently comparable to that of Capitol
- a DCF methodology is also widely used to value established businesses, where long term, detailed cash flows are available. Under a DCF methodology, forecast cash flows are discounted back to the Valuation Date, generating a net present value (**NPV**) for the cash flow stream. The rate at which the future cash flows are discounted (the discount rate) should reflect not only the time value of money, but also the risk associated with the cash flow stream. We have adopted a DCF methodology, based on Management's FY25 budget and broker consensus forecast information, which we have adjusted where appropriate
- a Net Assets approach is not considered appropriate to value Capitol as this method would not capture the growth potential and goodwill associated with the business
- we have cross-checked our valuation of Capitol by comparing our selected valuation range to the trading price of Capitol shares prior to the announcement of the Process Deed. Market price can be applied when the shares of an entity are reasonably liquid and the market is well informed because the listed market price typically reflects all publicly available information about the entity's future risks and prospects and therefore provides an indication of value. The listed market price represents the price at which shareholders could realise their portfolio investment and therefore we consider it reasonable as a cross-check to support the robustness of the value derived under the primary and secondary valuation methodologies discussed above.



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11.2.3

Selection of earnings metrics

Application of the Capitalised Earnings methodology involves the capitalisation of the earnings or cash flows of a business at a multiple that reflects the risks of the business and the future growth prospects of the income it generates. Application of this methodology requires professional judgment as to:

- a level of earnings or cash flows expected to be maintainable that takes into account historical and forecast operating results, adjusted for non-recurring items and other known factors likely to impact on future operating performance
- an appropriate capitalisation multiple that is supported by market evidence derived from comparable transactions and sharemarket prices for comparable companies, while also considering the specific characteristics of the business being valued.

A Capitalised Earnings methodology can be applied to a number of different earnings or cash flow measures, including, but not limited to, EBITDA, EBIT and NPAT. EBITDA and EBIT multiples are commonly used in the context of control transactions where the capital structure is in the hands of the acquirer. Price earnings multiples are more commonly used in the context of sharemarket trading.

We have selected EBITDA as an appropriate measure of earnings for Capitol because earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation accounting policies and effective tax rates than multiples based on EBIT or NPAT. This allows better comparison with the earnings multiples of other companies.

We have considered EBITDA after cash lease payments, also referred to as EBITDA (pre-AASB16) throughout the report. Transaction evidence in the diagnostic imaging sector is generally expressed in terms of EBITDA multiples (pre-AASB16). Moreover, this is also an earnings measure monitored by the management of Capitol and is commonly adopted by equity research analysts covering Capitol.

11.2.4

Control premium considerations

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing Capitol and, therefore, our valuation is inclusive of a control premium. More specifically:

- in valuing Capitol, we have used comparable control transactions and, therefore, application of metrics based on these transactions results in a control value
- we have specifically considered a control premium when assessing our earnings multiple for Capitol. Multiples applied in a Capitalised Earnings methodology are generally based on data from listed companies and recent transactions in the industry, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

The multiples derived for listed comparable companies are generally based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no control premium incorporated in such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (i.e. 100%) it is appropriate to also

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reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected

- our selected multiple includes the additional value resulting from estimated net corporate cost savings and other benefits that would generally be available to a pool of purchasers.

11.3 Valuation of Capitol

11.3.1 Summary

We have determined the enterprise value of Capitol, on a control basis, to be in the range of \$390.0 million to \$440.0 million. After adjusting for net debt and Capitol's joint venture minority interests, this implies a value of between \$0.278 to \$0.325 per Capitol share. A summary of our valuation is set out in the below table.

Table 32: Valuation of Capitol

\$m (unless otherwise stated)	Section reference	Value range	
		Low	High
Capitalised Earnings methodology	11.3.2	400.0	440.0
DCF methodology	11.3.3	377.2	442.1
Enterprise value selected (on a control basis)		390.0	440.0
Less: net debt	11.5	(58.8)	(58.8)
Less: joint venture minority interests	11.6	(33.1)	(33.1)
Equity value (on a control basis)		298.2	348.2
Fully diluted number of Capitol shares on issue (million)	8.7.1	1,072.6	1,072.6
Value per Capitol Share (\$)		0.278	0.325

Source: KPMG Corporate Finance Analysis

The valuation of Capitol was determined having regard to both the Capitalised Earnings and DCF methodologies. The analysis supporting the valuation is discussed in the sections below.

11.3.2 Capitalised Earnings methodology

Summary

Set out below is a summary of our valuation under a Capitalised Earnings methodology.

Table 33: Valuation of Capitol based on Capitalised Earnings methodology

\$m (unless otherwise stated)	Value range	
	Low	High
Selected EBITDA (on a pre-AASB 16 basis)	40.0	40.0
EBITDA multiple (on control and pre-AASB 16 basis)	10.0x	11.0x
Enterprise value (on a control basis)	400.0	440.0

Source: KPMG Corporate Finance Analysis

The valuation of Capitol using a Capitalised Earnings methodology was based on future maintainable EBITDA (pre-AASB16) of \$40.0 million and a forward capitalisation multiple of 10.0 to 11.0 times. The basis of each of these assumptions is discussed below.

Assessment of maintainable earnings

Maintainable earnings represents the level of earnings that the business can sustainably generate in the future. In order to assess the appropriate level of future maintainable EBITDA for Capitol, we had regard to the following:

- Capitol's historical financial performance from FY19 to FY24, adjusted for abnormal or non-recurring items (as set out in Table 5); and reported and adjusted FY25 and FY26 broker

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consensus (as set out in Table 13). We also considered the impact of COVID-19 on historical earnings.

As illustrated in the figure below, the historical results illustrate a trend of increasing Operating EBITDA over FY19 to FY21, mainly driven by a combination of organic growth, the integration of the acquisition of new clinics, the delivery of a number of greenfield and brownfield developments and strict cost management. Consistent with the broader industry, the business was significantly impacted by COVID-19 over the FY20 to FY22 period, with FY22 experiencing particularly severe disruptions due to the persistent effects of the pandemic.

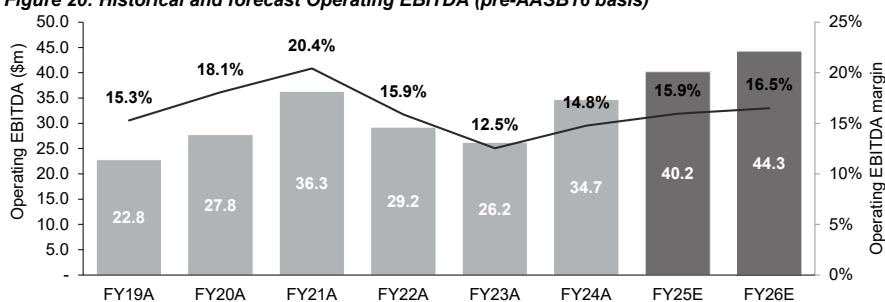
FY23 was impacted by a high inflationary environment, increased labour costs and challenging industry conditions (i.e. disrupted GP workforce, constrained GP visitation activity, staff shortages and high staff absenteeism related to COVID-19).

The improved operating performance in FY24 was mainly driven by: (i) higher revenue as a result of higher volumes following COVID-19, Medicare indexation (4.1%), a shift to higher value modalities (i.e. MRI and CT) and the full integration of FMIG into the Capitol network; and (ii) a lower cost base, due to strict cost management, the closure of small unprofitable clinics and the cessation of low margin services.

FY25 and FY26 broker consensus EBITDA growth and margin expansion is underpinned by: (i) recent developments that support volumes, including immigration, increased Medicare funding (i.e. deregulation of MRI licenses leading to higher demand for MRIs and increased access by patients) and the higher GP bulk billing incentive announced in November 2023; coupled with (ii) a shift in mix to higher modalities and Medicare indexation (3.5% from 1 July 2024).

EBITDA margins are expected to gradually recover to pre-COVID-19 levels, driven by a recovery in imaging volumes and easing of inflation and labour costs.

Figure 20: Historical and forecast Operating EBITDA (pre-AASB16 basis)



Source: FY19, FY20, FY21, FY22, FY23 and FY24 Annual Reports, Broker reports, FY25 and FY26 estimates of lease cash payments as provided by Capitol and KPMG Corporate Finance Analysis

Note:

- 1 A: Actual as per Capitol's annual reports. E: estimate as per average broker consensus and KPMG Corporate Finance Analysis
- 2 Historical EBITDA (pre-AASB16) has been adjusted for abnormal or non-recurring items as presented in Table 5
- 3 Adjusted FY25 and FY26 average broker consensus represents reported broker consensus EBITDA (post-AASB16), adjusted for (i) FY25 and FY26 estimates of lease cash payments as provided by Capitol and (ii) KPMG Corporate Finance analysis.

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- discussions with Capitol Management regarding performance to date and earnings expectations for FY25, including growth initiatives to generate revenue and improved margins
- future earnings are expected to benefit from future cost saving initiatives that are being implemented, including an assisted reporting software tool for radiologist efficiency and procurement efficiencies
- we have also considered factors that support potential upside, including expected increase in volumes following a recovery in GP visits and diagnostic imaging volumes, higher levels of immigration, deregulation of MRI licenses, increased bulk billing incentive payments and Medicare indexation.

We also highlight the following in respect of our assessment of EBITDA:

- no future acquisitions or disposals have been factored into our assessment of EBITDA
- the selected EBITDA does not reflect the upside potential in respect of the maturation of new clinics (i.e. greenfield sites) as this is reflected in the selected earnings multiple
- we have not adjusted maintainable earnings for cost savings available to any acquirer for 100% of a company that has operations in Australia. Rather, these synergies are subsumed within a premium for control and our selected earnings multiple.

Based on the above considerations, we have selected a future maintainable EBITDA of \$40.0 million. The selected EBITDA:

- is higher than the FY24 Operating EBITDA (\$34.7 million), to recognise that the maintainable earnings of Capitol are expected to benefit from further recovery in volumes and margin improvement in FY25 and FY26
- is broadly in line with the adjusted FY25 consensus Operating EBITDA³⁴ of \$40.2 million but below the adjusted FY26 consensus Operating EBITDA³⁴ of \$44.3 million.

Assessment of earnings multiple

The multiple applied in a Capitalised Earnings methodology should reflect the return expected by an investor in the business. Returns are dependent on various factors including a business' operational risks, growth profile, profitability, size and external environment, amongst others.

In selecting the multiple range to be applied, consideration is generally given to:

- the multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors, including the extent to which a premium for control is appropriate
- the multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors, with an appropriate adjustment to reflect the specific characteristics of the business being valued.

³⁴ After adjustments for cash lease payments based on Capitol management's estimates and KPMG Corporate Finance analysis.



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Sharemarket evidence

Apart from Capitol, the only other pure-play Australian listed radiology company currently is Integral. As such, we expanded our analysis to include listed Australian companies in the broader health sector. These incorporate a range of healthcare related industries, including hospital operators, in vitro fertilisation (IVF), dental and pathology services. These companies are generally exposed to the same broader industry drivers and macro-economic factors as radiology companies (i.e. growing and ageing population, healthcare expenditure and more recently, a cost inflation environment), whilst also driven by sector specific factors.

We have also considered international diagnostic imaging companies. However, these companies operate in different geographic regions and are subject to different healthcare systems, regulations and different funding models (i.e. government and private healthcare payments). Accordingly, we have not included these companies in our analysis.

Size is typically a substantial advantage for radiology and healthcare companies as it supports economies of scale and better management of a high fixed cost base. Furthermore, the limited supply of radiologists and sonographers, sticky local referral networks and current MRI licensing tend to benefit scale operators.

Larger companies can offer a broader range of services which supports a stronger market presence. The greater diversity of services and clients may reduce earnings volatility.

The implied EBITDA multiples (pre-AASB16) of the identified listed comparable companies are summarised in the table below.

Table 34: Sharemarket evidence (pre-AASB16) on a minority basis

Company	Description	Market cap ¹	EV ²	EBITDA growth ³	EBITDA Forecast	Capex to revenue	Capex to revenue Forecast	EBITDA margin	EBITDA margin FY24	EBITDA margin FY25	EBITDA margin FY26	EBITDA multiple ⁴	EBITDA multiple ⁴ FY24	EBITDA multiple ⁴ FY25	EBITDA multiple ⁴ FY26	
		\$m	\$m	Historical	Forecast	Historical	Forecast	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Australian radiology companies																
Integral	Radiology	594	783.8	6.9%	14.5%	5.1%	8.3%	15.1%	16.3%	17.2%	11.0x	9.5x	8.5x			
Capitol	Radiology	263	355.0	13.5%	13.0%	8.1%	7.8%	14.8%	15.7%	16.2%	10.2x	8.9x	8.2x			
Mean				10.2%	13.8%	6.6%	7.8%	14.9%	16.0%	16.7%	10.6x	9.2x	8.3x			
Median				10.2%	13.8%	6.6%	7.8%	14.9%	16.0%	16.7%	10.6x	9.2x	8.3x			
Australian healthcare companies																
Ramsay	Hospitals	9,333	15,035	(6.6%)	8.9%	4.9%	5.1%	8.6%	9.3%	9.8%	11.0x	8.7x	8.0x			
Sonic Healthcare	Pathology & Radiology	12,975	15,093	7.5%	10.6%	5.1%	5.0%	13.9%	14.9%	15.5%	11.4x	10.3x	9.4x			
Healius	Pathology & Radiology	1,267	1,594	(6.1%)	32.6%	2.9%	3.1%	6.7%	8.2%	9.4%	12.9x	10.0x	8.4x			
Monash IVF	IVF	460	513	(44.8%)	7.6%	8.2%	6.0%	24.6%	20.7%	21.2%	8.2x	8.9x	8.2x			
Australian Clinical Labs	Pathology	683	712	27.5%	18.2%	0.9%	1.2%	9.5%	10.3%	11.1%	10.8x	9.4x	8.4x			
Mean				(4.5%)	15.6%	4.4%	4.1%	12.7%	12.7%	13.4%	10.8x	9.5x	8.5x			
Median				(6.1%)	10.6%	4.9%	5.0%	9.5%	10.3%	11.1%	11.0x	9.4x	8.4x			

Source: S&P Capital IQ, Company financial statements and announcements, Broker reports and KPMG Corporate Finance Analysis

Note:

- 1 Market capitalisation (Market Cap) is calculated using closing prices on 13 September 2024, except for Integral and Capitol which are calculated using closing prices as at 14 June 2024, one day prior to the announcement of the Process Deed
- 2 Enterprise value (EV) is market capitalisation plus net debt, preferred equity and minority interest less equity accounted investments
- 3 Historical growth is based on EBITDA CAGR over the last 4 years and forecast growth is based on expected EBITDA CAGR over the next 3 years
- 4 EV and EBITDA are presented pre-AASB16 (i.e. excluding lease liabilities from EV and including cash lease payments in EBITDA). EBITDA multiple defined as EV divided by EBITDA. EBITDA multiples are presented on a minority basis
- 5 Forecast information for FY25 and FY26 is based on broker consensus estimates, as sourced from S&P Capital IQ

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A detailed description of these comparable companies is set out in Appendix 5. In assessing the comparability of the companies detailed above, we note the following:

- the multiples derived for listed comparable companies are generally based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated within such pricing
- the average and median forward FY25 and FY26 multiples of radiology companies are relatively in line with those of the broader healthcare sector
- growth rates for diagnostic imaging services have exceeded those of other healthcare services (i.e. GP, pathology) over the 10 years to FY19 and in the years post-COVID-19, driven by a growing and ageing population, higher utilisation and the growth of higher-fee modalities. More recently, indexation has supported industry growth, albeit with a high degree of volatility in the years post-COVID-19. Industry growth is expected to be approximately 7% in FY25 and 6% in FY26 and FY27³⁵
- compared to other listed companies in the broader healthcare sector, Capitol and Integral are smaller in size, less diversified, less exposed to discretionary demand and are more capital intensive
- Capitol's implied trading EBITDA multiples are below those of Integral and certain other healthcare companies. This likely reflects its smaller size, its lower proportion of revenues derived from more specialised and higher value services (i.e. more reliance on Medicare and community GP referrals) and the lower proportion of contracted revenues with major hospitals. Most of the comparable companies are larger and more diversified than Capitol, with certain players exhibiting an international footprint (i.e. Ramsay, Sonic Healthcare and Monash IVF). All else being equal, larger businesses tend to have higher earnings multiples than smaller businesses. Despite the differences noted, Capitol achieves similar or higher EBITDA margins compared to the broader healthcare sector and exhibits higher growth.

Transaction evidence

The price paid in transactions is widely considered to represent the market value of a controlling interest in the target company. The difference between the value of a controlling interest and a minority interest (as implied by the share price) is referred to as a premium for control. The quantum of this premium will vary dependent on the specific circumstance of each transaction, including the equity share acquired, the negotiating position of the parties, competitive tension in the sales process, the availability of synergies and the extent to which a buyer would pay away these synergies to gain control of the target.

The diagnostic imaging sector is mature and relatively fragmented outside of the top five players (refer to Appendix 3). There have been a number of transactions since 2014, motivated by scale, geographical expansion and diversification. Whilst there have been a number of acquisitions of relatively small businesses or small networks, our analysis has focused on larger acquisitions where the target is of broadly similar scale to Capitol.

³⁵ Macquarie Equity Research, July 2024.



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We also note that two major radiology players, I-MED³⁶ and Lumus³⁷ (Healius' diagnostic imaging segment), are reported to be undergoing sale processes. While no transactions have been announced at the time of our analysis (and therefore no implied valuation metrics are available), they highlight transaction activity within, and attractiveness of the sector.

The table below sets out the EBITDA multiples (pre-AASB16) implied by recent transactions involving radiology companies for which sufficient financial data is available.

Table 35: Transaction evidence (pre-AASB16)

Date ¹	Target	Acquirer	Enterprise value ² (\$m)	EBITDA multiple Historical	EBITDA multiple Forecast	Basis
Australian radiology companies						
Nov-22	PRP Diagnostic Imaging	IFM Investors/ UniSuper	800.0	13.0x	n/a	Unknown ⁴
Nov-22	FMI	Capitol	56.1	8.5x	n/a	Pre-AASB 16
Jul-22	Horizon Radiology	Integral	30.1	8.9x	n/a	Pre-AASB 16
Jul-22	Peleton Radiology	Integral	70.5	8.8x	n/a	Unknown ⁴
Nov-21	The X-Ray Group	Integral	45.0	n/a	8.6x	Pre-AASB 16
Jun-21	Canberra Imaging	Sonic	121.0	11.0x	n/a	Pre-AASB 16
May-21	Pacific Radiology	Infratil	807.8	13.0x	n/a	Pre-AASB 16
Oct-20	Qscan	Infratil	735.0	n/a	13.4x	Pre-AASB 16
Sep-20	Ascot Radiology	Integral	50.4	n/a	8.8x	Pre-AASB 16
Jun-20	PRP Diagnostic Imaging	Crescent Capital Partners	440.0	n/a	6.9x	Unknown ⁴
Nov-19	Imaging Queensland	Integral	104.0	8.7x	n/a	Pre-AASB 16
May-18	Specialist Radiology Group, Trinity MRI and Cavendish Radiology	Integral	97.7	n/a	7.8x	Pre-AASB 16
Feb-18	I-MED	Permira	1,250.0	n/a	11.2x	Pre-AASB 16
Jan-18	Radiology Tasmania	Capitol	24.2	n/a	7.5x	Pre-AASB 16
Nov-17	Integral ³	Capitol	405.7	12.1x	11.0x	Pre-AASB 16
Aug-17	Capitol - NSW assets	I-MED	81.5	8.5x	n/a	Pre-AASB 16
Jul-15	Two Sydney radiology clinics	Capitol	30.0	8.0x	n/a	Pre-AASB 16
Jan-15	Imaging @ Olympic Park	Capitol	25.0	7.6x	n/a	Pre-AASB 16
Dec-14	Southern Radiology Group	Capitol	64.6	9.0x	n/a	Pre-AASB 16
Mean (all transactions)			275.7	9.8x	9.4x	
Median (all transactions)			81.5	8.8x	8.7x	
Mean (larger transactions)			739.7	12.7x	10.6x	
Median (larger transactions)			767.5	13.0x	11.1x	

Source: S&P Capital IQ, Company financial statements and announcements, IER Reports and KPMG Corporate Finance analysis

Note:

- 1 Date the transaction is closed
- 2 Implied value of an acquisition of 100% if the transaction does not already involve an acquisition of 100%
- 3 This transaction was unsuccessful
- 4 Disclosures do not specify the treatment of AASB16
- 5 Larger transactions are shaded in grey

Each of the above transactions is described in Appendix 6.

In respect of the comparable transactions, we note that:

- the evidence reflects transactions involving the acquisition of 100% of a business (rather than a minority interest), and the valuation metrics therefore implicitly incorporate a premium for control

³⁶ <https://www.afr.com/street-talk/bain-capital-a-motivated-buyer-of-permira-owned-i-med-20240825-p5k55m>.

³⁷ <https://www.afr.com/companies/healthcare-and-fitness/healius-net-losses-double-as-it-restructures-sells-imaging-unit-20240820-p5k3w8>.

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- the transaction multiples are calculated based on the most recent actual earnings (historical multiples) or expected future earnings for the current year at the date of the transaction (forecast multiples). The multiples are therefore not necessarily reflective of the multiple which would be derived from an assessment of each target entity's "maintainable" earnings
- all else equal, higher multiples are typically paid for transactions involving larger radiology companies or networks due to, *inter alia*, economies of scale, diversification benefits, geographical footprint, access to a larger pool of radiologists and sonographers, access to local referral networks, etc.
- the forward multiples for transaction evidence in the Australian diagnostic imaging sector range between 6.9 and 13.4 times EBITDA (pre-AASB16), with a mean and median of 9.4 and 8.7 times, respectively. However, of these 19 transactions, 13 involve purchase considerations of less than \$150 million with an average consideration of \$62 million
- larger transactions, which are more comparable to Capitol, tend to command higher multiples. The forward multiples for these transactions range between 6.9 and 13.4 times EBITDA, with a mean and median of 10.6 and 11.1 times, respectively.

Control premium considerations

When valuing Capitol on a controlling basis using market information, it is necessary to consider an appropriate control premium to apply. We consider an appropriate control premium to be well within the 25% and 40%³⁸ range (on an equity value basis) typically observed in successful takeovers in Australia. This level of control premium is justified having regard to the cost savings that could likely be achieved by a pool of acquirers of Capitol.

In this regard, Integral has disclosed that it expects to generate at least \$10 million of pre-tax net cost synergies from the merger, with the synergies expected to be realised two years post implementation of the Scheme. This estimate is before post-tax one-off implementation costs of \$50.8 million. The majority of these cost synergies relate to the consolidation of overlapping corporate function costs, listed company costs, indirect procurement and clinical costs (discussed in Section 10.2.1 of the Scheme Booklet). We consider that these cost synergies would be available to a pool of acquirers, particularly by other diagnostic imaging companies which also have operations in Australia.

In addition, Integral intends to pursue potential revenue synergies (not included in the above estimate) from doctor productivity improvements (such as sub-specialisation of radiologists) and network benefits (such as cross-referral of radiology services).

There are risks associated with fully realising the benefits outline above, the timing thereof and implementation costs. Therefore, it is common practice not to ascribe the full value of estimated synergies in the valuation as, in a competitive bidding situation, a potential acquirer may not pay away the full benefit of synergies due to the risks associated with fully realising such benefits.

Accordingly, our selected multiple includes the risk adjusted synergies available to a typical acquirer, net of implementation costs and inclusive of a premium for control.

³⁸ RSM "Control Premium Study 2021".



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Selected multiple range

Based on our analysis of the implied multiples of comparable companies and transactions as outlined above, we have selected a forward multiple range of 10.0 to 11.0 times future maintainable EBITDA (pre-AASB16) having regard to the following:

- the quality of earnings of the Capitol business, which receives a large portion of its revenue from Medicare
- Capitol is smaller and less diversified than its peers, although it has a similar or higher level of profitability and higher growth prospects
- Capitol is exposed to favourable industry dynamics including an ageing population and increased life expectancy, improving technology (i.e. teleradiology and leverage of AI to optimise productivity), a continuation in the trend towards prevention and early diagnostics and a shift to more complex and higher value modalities
- the most relevant comparable transactions of broadly similar scale to Capitol reflect a mean and median forward EBITDA multiple of 10.6 and 11.1 times, respectively
- the multiples implied by listed radiology and healthcare companies, which trade on forward FY25 and FY26 EBITDA multiples in the range of 8.0 to 9.5 times, on a minority basis. Adopting a control premium (inclusive of risk adjusted synergies and implementation costs) of 30%, this is equivalent to forward multiples in the range of 10.0 to 11.5 times
- Capitol is currently investing in growth capital expenditure (\$4.8 million in FY24) and plans to continue this investment to drive future growth in revenue and earnings
- the synergies available to potential acquirers particularly in relation to the consolidation of overlapping corporate costs and listed company costs.

11.3.3 DCF methodology

Overview

As a secondary methodology, we have assessed the enterprise value of Capitol based on a DCF methodology. Under a DCF methodology, forecast cash flows are discounted back to the Valuation Date, generating an NPV for the cash flow stream. The discount rate should reflect not only the time value of money, but also the risk associated with the cash flow stream.

Cashflow projections

The starting point of the cash flow projections are the historical performance of the business. The cash flows are then projected for a period of five years having regard to key value drivers. In determining the value drivers, we had regard to broker consensus estimates for FY25 and FY26, Management's FY25 budget and industry reports and broker notes regarding the expected industry growth for the next five years.

We are not aware of any future acquisitions or disposals planned by Capitol, therefore no future acquisitions or disposals have been factored into the cash flow projections.

Our valuation is based on free cash flows, representing operating cash flows before interest, less taxation payments (also calculated on an ungeared basis), capital expenditure and working capital requirements. The free cash flow projections cover a five year period from 30 June 2025 to 30 June 2029 (Forecast Period). A terminal value has been calculated at the end of the Forecast Period.

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Consistent with the Capitalised Earnings methodology, our valuation is based on free cash flows after cash lease cash payments (i.e. pre-AASB16).

As the detailed cash flow projections are commercially sensitive, we have not included them in our report. However, we set out below the key assumptions underpinning the free cash flow projections.

Key assumptions

Revenue

Revenue is forecast to grow at a CAGR of approximately 5.0% over the Forecast Period, which is broadly in line with the expected industry growth in the near to medium term (refer to Appendix 3 for further details).

Forecast revenue growth mainly reflects:

- organic growth in line with growth in industry volumes, underpinned by a recovery in GP visits and diagnostic imaging volumes, deregulation of MRI licenses, increased bulk billing incentive payments and Medicare indexation
- a shift towards higher value modalities, reflecting a portion of the planned annual level of growth capital expenditure.

Operational costs and Operating EBITDA margins

Staff costs are the largest operating cost, currently representing approximately 63% of revenue. Other operating costs mainly comprise medical equipment, consumables, service costs and occupancy expenses.

Operating EBITDA margins (post-AASB16) increase from the current level of 21.0% in FY24 to approximately 22.0% to 23% over the Forecast Period. This forecast increase in margins reflects the combined benefit of: (i) a projected increase in revenue in line with industry volumes, (ii) a shift towards higher value modalities; and (iii) a reduction in the growth of Capitol's cost base, associated with an easing of inflation and labour costs.

Operating EBITDA margins (pre-AASB16) were calculated based on forecast cash lease payments of approximately \$15.0 million per year (pre-indexation), consistent with historical trends.

Capital expenditure

We have assumed a total level of capital expenditure of approximately \$16 million to \$18 million per year, based on historical levels of capital expenditure incurred by the business, Management's view of ongoing total capital expenditure for the business, broker consensus estimates and capital expenditure as a percentage of revenue of comparable healthcare companies (refer to Table 34).

Working capital

As discussed in Section 8.4.1, Capitol operates with a small negative working capital. Accordingly, it is reasonable to assume that as the business grows, this benefit will increase accordingly. However, given this benefit is relatively small and has historically fluctuated, we have assumed no related cash flow working capital benefit over the Forecast Period.



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Taxation

We have adopted a tax rate of 30%, which is consistent with the current Australian corporate tax rate.

Discount rate

Consistent with nominal cashflows, we have adopted a rounded nominal after tax discount rate of 8.5% to 9.5%, based on:

- a risk free rate of 3.6%, by reference to both the current spot yield and long-term forecast yields on 10-year Australian Government bonds sourced from various economic forecast providers
- an equity market risk premium of 6.0%, which is considered to be appropriate for the current investment climate in Australia
- an unlevered beta of 0.85 to 0.95 having regard to the betas of the comparable companies, as detailed in Appendix 5
- a company specific risk premium of 0.5% in our high discount rate to account for company specific factors not otherwise reflected in the discount rate inputs referred to previously. The factors include Capitol being smaller in size and less diverse, with greater reliance on Medicare relative to the comparable companies; and the risks associated with the achievement of the forecast growth in revenues and the Operating EBITDA margin improvement
- a net debt to enterprise value of 15%, based on gearing levels observed for comparable companies as detailed in Appendix 5
- a pre-tax cost of debt of 5.0% to 5.5%, based on a BBB credit rating
- a tax rate of 30%.

We have also had regard to the discount rates adopted by equity research analysts, in the range of 8.10% to 10.10%.

Terminal value

We have estimated a terminal value at the end of the Forest Period based on: (i) the free cash flow projected in the year ending 30 June 2030, (ii) the Gordon Growth perpetuity formula; and (iii) a terminal growth rate of 2.5%, reflecting the Reserve Bank targeted long term inflation rate.

Given the terminal growth rate is in line with inflation, we have only included maintenance capital expenditure in the terminal period, at a level consistent with historical trends.

Sensitivity analysis

We have assessed the sensitivity of Capitol's mid-point enterprise value to changes in the following variables:

- terminal growth rate
- WACC rate
- revenue growth

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- Operating EBITDA margin (post-AASB16 basis).

Our sensitivity analysis is summarised in the tables set out below.

Table 36: Sensitivity analysis – terminal growth rate and WACC

Sensitivity analysis		Terminal growth rate				
		2.00%	2.25%	2.50%	2.75%	3.00%
WACC	8.50%	413.0	427.0	442.1	458.6	476.5
	8.75%	397.2	410.1	423.9	438.9	455.3
	9.00%	382.6	394.4	407.2	420.9	435.8
	9.25%	369.0	379.9	391.6	404.3	417.9
	9.50%	356.3	366.4	377.2	388.9	401.4

Source: KPMG Corporate Finance analysis

Table 37: Sensitivity analysis – revenue growth and Operating EBITDA margin (post-AASB16)

Sensitivity analysis		Revenue growth				
		-1.00%	-0.50%	0.00%	0.50%	1.00%
Operating EBITDA margin	-1.00%	356.8	366.5	378.5	390.8	403.2
	-0.50%	371.8	381.7	394.1	406.7	419.5
	0.00%	386.8	397.0	409.7	422.6	435.7
	0.50%	401.7	412.2	425.2	438.5	452.0
	1.00%	416.7	427.5	440.8	454.4	468.2

Source: KPMG Corporate Finance analysis

Conclusion on DCF valuation

The selected enterprise value using a DCF methodology ranges from \$377.2 million to \$442.1 million.

11.4 Non-operating assets and liabilities

Surplus assets and liabilities are those assets and liabilities not required to sustain the adopted level of maintainable earnings. We are not aware of either non-operating assets or liabilities for Capitol.

11.5 Net debt

Capitol's net debt at 30 June 2024, being a proxy for the anticipated net debt balance upon completion of the Scheme is estimated at \$58.8 million and is comprised of:

- \$82.8 million of borrowings
- less cash of \$24.1 million

Table 38: Capitol net debt

\$m (unless otherwise stated)	30-Jun-24
Borrowings	82.8
Less: cash	(24.1)
Net debt	58.8

Source: Capitol FY24 annual report

On 27 August 2024, Capitol declared a final FY24 dividend of 0.399 cents per share, which is expected to be paid on 21 October 2024, before the Scheme implementation date.

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Our valuation has been prepared on a cum-dividend basis, therefore the net debt has not been reduced for payment of the dividend.

Consistent with our treatment under the Capitalised Earnings and DCF methodologies, net debt excludes lease liabilities (i.e. pre-AASB16 basis).

11.6 **Joint venture minority interests**

As detailed in Section 8.2.3, Capitol has joint venture partners that own economic interests in several Capitol practices. Our valuation includes a deduction of \$33.1 million to reflect the value of the joint ventures economic interest that is not owned by Capitol. In assessing the value of the joint venture arrangements not owned by Capitol, we have had regard to:

- the value of Capitol's current obligations in relation to its joint venture partnerships (mainly IOP and Pakenham), as outlined in Capitol's FY24 audited report
- the risk adjusted value of the additional payment due to the IOP JV Partner, (as outlined in Section 8.2.3)
- outstanding loan receivable balance with the IOP JV Partner.

Our assessment of Capitol's joint venture minority interests includes Capitol's non-controlling interests of \$0.2 million (negative balance) as per its FY24 audited report.

11.7 **Valuation cross-checks**

Analysis of trading price of Capitol shares

We have cross-checked our assessed value of the equity in Capitol to the listed share price of Capitol shares up to 14 June 2024, being the last day of trading prior to the announcement of the Process Deed.

When compared with a single external observer, the consensus view of a well traded, fully informed market is likely to be a more reliable estimate of the value of a portfolio interest in the underlying company that is assumed to exclude a premium for control. Trading prices usually incorporate the influence of all publicly available information on an entity's prospects, future earnings potential and risks. This is particularly true for shares that experience high levels of liquidity and are closely followed by a range of market analysts.

Therefore, on the premise that the trading price is reflective of market value, we have considered the appropriateness of the control premium implied by the outcome to our valuation, to the Capitol share price on a minority basis.

To address this, we have:

- considered the frequency of release of material information from Capitol to the market
- analysed the historical trading volumes in Capitol shares to, *inter alia*, consider the liquidity of the Capitol shares.

Non-public information

Under ASX Listing Rules (LR 3.1 and 3.1A), Capitol is required to keep the market informed of events and developments in a timely manner as they occur. If Capitol becomes aware of any information that a reasonable person would expect to have a material effect on the price or value of its shares, it must inform the market of that information.

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Public information

Capitol has informed the market of such events and has provided regular earnings updates in a timely manner.

Liquidity analysis

Capitol is a sufficiently liquid stock, as illustrated in Table 12. In approximately three months prior to the announcement, 13.0% of the issued share capital was traded in the market. In the six months prior to the announcement, 22.2% of the issued stock was traded and over the last 12 months, 53.1% of the issued share capital was traded.

Based on our analysis of trading in Capitol, we consider a price of \$0.245 per Capitol share to be reflective of market value prior to the announcement of the Process Deed. As set out in the below table, our value range based on the Capitalised Earnings and DCF methodologies of \$0.278 to \$0.325 implies a control premium over the assessed pre-announcement Capitol share price of \$0.245, of 13% to 32%.

Table 39: High level valuation cross check based on share price analysis pre-announcement

Implied Capitol share price control premium	Value range	
	Low	High
Assessed value of Capitol shares (on a control basis)	0.278	0.325
Capitol share price (on a minority basis)	0.245	0.245
Implied control premium (%)	13%	32%

Source: IRESS, S&P Capital IQ and KPMG Corporate Finance analysis

The implied control premium of 13% to 32% is broadly consistent with the observations from transaction evidence that indicate that takeover premiums generally range from 25% to 40%³⁹ for completed takeovers depending on the individual circumstances.

On this basis, our analysis supports our valuation of Capitol as being appropriate.

12 Assessment of value of the Scheme Consideration

12.1 Summary

Under the terms of the Scheme, Capitol Shareholders will receive a Scheme Consideration of 0.12849 Integral shares for every Capitol share.

We have attributed a value to the Scheme Consideration of \$0.321 to \$0.347 as set out in the table below.

Table 40: Valuation of the Scheme Consideration

\$ (unless otherwise stated)	Section reference	Value range	
		Low	High
Selected value per Integral share (minority interest basis)		2.50	2.70
Exchange ratio		0.12849	0.12849
Value of Scheme Consideration (\$)		0.321	0.347

Source: IRESS, S&P Capital IQ and KPMG Corporate Finance analysis

12.2 Approach

The Scheme Consideration is in the form of new Integral shares which will represent a minority interest in Integral. Therefore, RG 111 requires the value of the Scheme Consideration to be assessed on a minority basis.

³⁹ RSM "Control Premium Study 2021".

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It is common practice to utilise the post-announcement market price as the basis for estimating the value of an offer with a scrip component, as that represents the value at which Capitol Shareholders can realise their interest post completion of the Scheme.

We have used the trading price for Integral shares post announcement of the proceed Deed to determine our valuation range for the Scheme Consideration due to the following:

- Integral shares are listed on the ASX and there is sufficient liquidity to suggest that recent performance and expectations are appropriately reflected in the share price
- the trading price of Integral shares reflects the value of portfolio interests and therefore is assumed to exclude a premium for control
- the disclosure requirements associated with being an ASX listed company suggest that any material information relating to Integral's business or the Scheme should have been disclosed to the market
- both Integral and Capitol have brokerage coverage and these brokers have provided updated commentary and research notes following the announcement of the Process Deed. Such releases provide the market with further information on which to assess the terms and likely consequences of the Scheme
- both Integral and Capitol have released their FY24 results post announcement of the Process Deed and MID and there has been sufficient time for the market to reflect those results
- an alternative approach would be to undertake a fundamental valuation of the Merged Group and then apply a discount to reflect a portfolio interest. However, we have not had access to non-public information on Integral that would be required to sufficiently support such analysis. We have however commented on the impact of the dilution effect of the Scheme Consideration and synergies below.

In order to cross-check the valuation range derived from our analysis of trading in Integral shares, we have compared the implied earnings multiples of this range to market evidence derived from ASX-listed companies operating in the broader healthcare sector.

12.3 **Analysis of trading in Integral shares**

In adopting the post-announcement market price range of Integral shares as a basis for estimating the Scheme Consideration, we have considered the following:

- the recent trading of Integral shares
- the liquidity and VWAP of Integral shares
- the publicly available information in relation to Integral and the merger
- impact of the merger on Capitol
- the potential impact of dilution and synergies.

Our analysis of each of these factors is outlined below.

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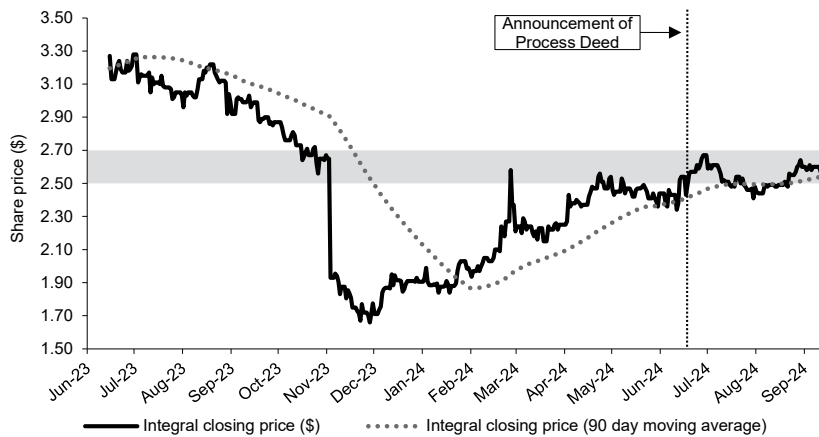


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Recent trading in Integral shares

The historical trading prices of Integral shares for the 12 month period to 14 June 2024 (the last trading day prior to the announcement of the Process Deed), and for the subsequent period to 13 September 2024 are illustrated below. Our selected range of \$2.50 to \$2.70 is shaded in grey.

Figure 21: Integral – Share price trading relative to the selected range



Source: S&P Capital IQ, KPMG Corporate Finance analysis
Note: Our selected range of is shaded in grey

In regard to the above graph, we note that:

- over the period analysed above, Integral's share price has traded at a low and high closing price of \$1.66 to \$3.28, respectively. Specific information relating to Integral's share price performance are discussed in Section 8.8
- the share price of Integral decreased slightly from \$2.54 to \$2.43⁴⁰ on the day of the announcement of the Process Deed
- Integral's share price has traded below our selected range for much of the analysed period. Integral shares performed relatively in line with the S&P ASX 200 until a trading update in November 2023, where the company announced its Operating EBITDA had not improved as anticipated. The gradual recovery since November 2023 has been broadly in line with the S&P ASX 200 index, as discussed in Section 9.8
- since the announcement of the FY24 results (on 27 August 2024), the share price of Integral has traded in the range of \$2.51 to \$2.67

⁴⁰ Based on a closing price on 14 June 2024 of \$2.54 and closing price on 17 June 2024 of \$2.43.

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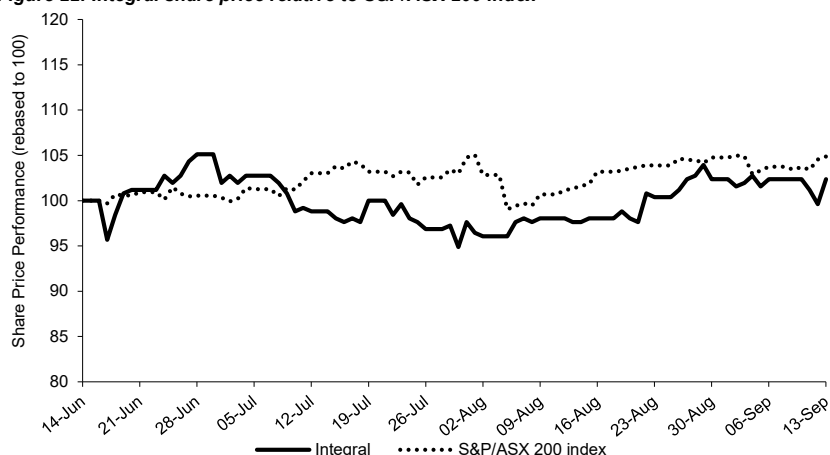
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- Integral will trade on a cum-dividend basis until 3 October 2024 (date of payment of the final FY24 dividend of 3.3 cents per Integral Share). The cum-dividend price is more relevant as Capitol Shareholders share the Integral dividend, in line with the merger ratio of 0.12849.

Performance of Integral shares relative to the market

The figure below illustrates the performance of Integral shares relative to S&P ASX 200 index for the period from 14 June 2024 (last trading prior to the announcement of the Process Deed) to 13 September 2024.

Figure 22: Integral share price relative to S&P/ASX 200 index



Source: S&P Capital IQ, KPMG Corporate Finance analysis

In regard to the above, we note:

- on the announcement of the Process Deed, Integral shares decreased slightly from \$2.54 to \$2.43 (4.3% decrease) before recovering within a few days
- over the period above, Integral has slightly underperformed the S&P/ASX 200 index by 2.4%.

Liquidity and VWAP analysis of Integral shares

The trading liquidity and VWAPs of Integral shares for the 12 month period to 14 June 2024 are summarised in Section 9.8. We have also analysed trading liquidity and VWAP after the announcement of the Process Deed and after the announcement of the FY24 results.

In regard to the liquidity and VWAP analysis, we note that:

- 83.5% of Integral's share capital has traded in the 12 months to the announcement of the Process Deed, indicating a relatively high level of market liquidity

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- we expect the liquidity will increase following the successful completion of the Scheme as the share capital will increase by approximately 37%⁴¹ and that the level of trading will allow Capitol Shareholders to realise the value of the Scheme Consideration
- on 14 June 2014 (last trading day prior to the announcement of the Process Deed), Integral's share price closed at a price of \$2.54. The VWAPs from three months to 12 months prior to the announcement ranged from \$2.18 to \$2.39. However, the share price has increased since then as details of stronger performance were released in the half-year FY24 results
- the 1 week and 1 month VWAPs were \$2.46 and \$2.43, respectively
- the post-announcement VWAPs broadly fall within our selected range for Integral of \$2.50 to \$2.70
- since the announcement of the FY24 results, the share price of Integral has traded in the range of \$2.51 to \$2.67.

Publicly available information in relation to Integral and the merger

We consider there to be sufficient information available in the public domain to allow the market to form a rational view on the pricing of Integral shares, based on the following factors:

- disclosure requirements, under ASX Listing Rules (LR 3.1 and 3.1A) apply to Integral, as discussed in section 11.7 above
- disclosure in relation to the merger, Integral has released relevant information regarding the potential synergies, and the strategic rationale for the merger
- broker coverage, Integral is covered by 14 brokers, all of which nine have released updated research to the market since the announcement of the Process Deed and six since the announcement of Integral' FY24 results providing commentary, financial forecasts and price targets in addition to commentary in relation to the merger.

Impact of the merger on Capitol

In addition to the above, we consider that if our assessed Scheme Consideration is appropriate, then the Capitol share price should trade in line with the value outlined in Section 11. In the figure below, we compare the trading of Capitol shares to our assessed Scheme Consideration range (outlined in Section 12) following the announcement of the Process Deed.

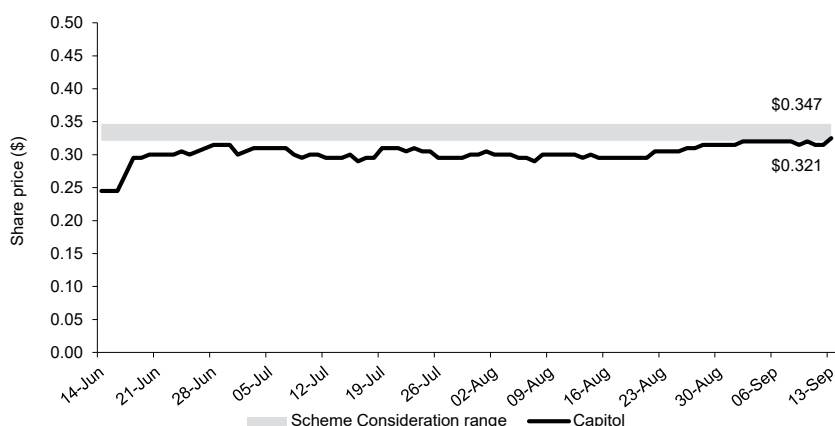
⁴¹ Refer to footnote 1.

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Figure 23: Capitol Share price trading relative to the Scheme Consideration



Source: S&P Capital IQ, KPMG Corporate Finance analysis

Since the announcement of the Process Deed on 14 June 2024, the Capitol share price has increased and traded slightly below or in line with the low end of our assessed range of the Scheme Consideration. This likely indicates:

- an expectation that the Scheme will be implemented as the Capitol Board has fully endorsed the merger
- an element of risk that the Scheme might not be implemented
- broker commentary has been favourable in relation to the merger.

Dilutions and synergies

The Scheme Consideration includes a premium for control (above the market price) for Capitol shares. In the absence of sufficient synergies, the Scheme Consideration results in dilution of the Integral shares following implementation of the Scheme. This is because, the listed price of Integral shares will reflect a portfolio rather than a controlling interest in the Merged Group.

We have analysed the dilution effect after incorporating the pre-tax net cost synergies of \$10 million identified by Integral and \$50.8 million of one-off implementation costs. We have applied a conservative multiple to these synergies as they are subject to timing and execution risks. Our analysis indicates that the net synergies sufficiently offset the dilution effects such that the likely Integral share price following implementation of the Scheme (adjusted for the merger ratio of 0.12849) continues to overlap the range of the Capitol share price selected in Section 11.

Importantly, both the potential dilution effect and the value of potential synergies will be reflected in the post announcement trading in Integral shares. However, the market may not fully reflect the benefit of synergies given the time and cost required to realise potential synergies. Notwithstanding, a significant portion of the identified synergies relate to cost savings which should be achieved relatively soon after implementation of the Scheme. Other revenue synergies (unquantified) are likely to be inherently more uncertain.

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Conclusion

On balance we consider an Integral share price in the range of \$2.50 to \$2.70 on a minority interest basis to be a reasonable estimate for the Scheme Consideration. We have arrived at this estimate after considering:

- the trading range of Integral shares both pre and post the announcement of the Process Deed
- the dilution effect implicit in any control premium paid by Integral
- the level of synergies available post implementation
- the trading in Capitol shares post announcement of the Process Deed compared to the assessed Scheme Consideration.

12.4

Valuation cross-check

In order to cross-check our selected valuation range for Integral shares, we have compared the implied EBITDA multiples (pre-AASB16) to market evidence derived from comparable companies.

Comparison to comparable companies

Table 41: Integral – implied enterprise value and EBITDA multiples (pre-AASB16)

\$m (unless otherwise stated)	Value range	
	Low	High
Selected value per Integral share (minority interest basis)	2.50	2.70
Number of Integral shares on issue (on an undiluted basis) (million)	234.0	234.0
Implied equity value (on a minority basis)	584.9	631.7
Net debt	189.4	189.4
Implied enterprise value (on a minority basis)	774.3	821.1
FY24 Operating EBITDA (on a pre-AASB16 basis)	71.0	71.0
FY25 Operating EBITDA (on a pre-AASB16 basis)	81.8	81.8
Implied FY24 EBITDA multiple	10.9x	11.6x
Implied FY25 EBITDA multiple	9.5x	10.0x

Source: S&P Capital IQ, KPMG Corporate Finance analysis

Equity value

The equity value of Integral is based on our assessed value range of Integral shares (as discussed in Section 12.1) and the number of Integral shares on issue on an undiluted basis (as discussed in Section 9.7.1).

Net debt

Integral net debt at 30 June 2024 of \$189.4 million, comprised of \$222.0 million of borrowings, \$9.9 million of contingent consideration liabilities in relation to prior acquisitions, less cash of \$42.4 million. Net debt excludes lease liabilities consistent with analysis of EBITDA (pre-AASB16).

On 27 August 2024, Integral declared a final FY24 dividend of 3.3 cents per Integral share, which is expected to be paid on 3 October 2024. Our cross-check valuation has been prepared on a cum-dividend basis, therefore the net debt has not been adjusted for the payment of the dividend.

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FY24 and FY25 Operating EBITDA (pre-AASB16)

For the purposes of calculating the EBITDA multiples implied by our enterprise value, we have adopted the historical FY24 Operating EBITDA of \$71.0 million as per Integral's FY24 audited financial report and a forecast FY25 Operating EBITDA of \$81.8 million based on broker consensus estimates, adjusted for cash lease expense estimates.

Implied EBITDA multiples

We have compared the EBITDA multiples implied by our valuation of Integral to those of comparable companies operating in the broader healthcare sector as set out in Table 34.

The implied FY24 EBITDA multiples of 10.9 to 11.6 times are broadly in line with the mean and median of comparable companies of 10.6 times.

The implied FY25 EBITDA multiples of 9.5 to 10.0 times are also broadly in line with the mean and median of comparable companies of 9.5 and 9.2 times, respectively.

The implied forward EBITDA multiples for Integral are lower than those adopted in our valuation of Capitol (10.0 to 11.0 times). However, the implied Integral EBITDA multiples reflect the value of a portfolio interest, whereas the EBITDA multiples adopted in our valuation of Capitol reflect the value of a controlling interest in the company.

If the implied Integral EBITDA multiples were adjusted to reflect a controlling interest, then they would be higher than the EBITDA multiples adopted in our valuation of Capitol. We consider this appropriate based on the following considerations:

- Integral is a larger operator
- Integral has a more diversified revenue stream, including a higher proportion of revenue derived from the provision of higher value services, with less reliance on Medicare, and
- a significant portion of Integral's revenues are secured under long term contractual arrangements with major hospitals.

Based on the above, we consider our assessed valuation range for Integral shares to be supportable.

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Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Adele Thomas and Sean Collins. Adele is a member of the Institute of Chartered Accountants in Australia and New Zealand and holds a Bachelor of Commerce degree and a Graduate Diploma in Accounting. Sean is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Chartered Institute of Securities and Investments in the UK and holds a Bachelor of Commerce degree from the University of Queensland. Both Adele and Sean have a significant number of years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. Aidan Murphy and Xavier Dunand assisted in the preparation of the report.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of Capitol Shareholders. KPMG Corporate Finance expressly disclaims any liability to any Capitol Shareholders who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Scheme. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Capitol for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included within the Scheme Booklet to be issued to the Capitol Shareholders. Neither the whole or any part of this report, nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.



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Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- Scheme Booklet (including earlier drafts)
- audited annual reports for Capitol and Integral for FY19, FY20, FY21, FY22, FY23, FY24
- various ASX company announcements
- various broker and analyst reports
- various press and media articles
- various reports published by IBISWorld Pty Ltd and Medicare Benefits Schedule Online
- data providers including S&P Capital IQ, Bloomberg, Thompson Financial Securities, IRESS and Connect 4.

Non-public information:

- management papers and documents confidential to Capitol
- management papers and documents confidential to Integral.

In addition, we have had discussions with, and obtained information from, management of Capitol and its advisors.

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Appendix 3 – Industry overview

Introduction

Capitol and Integral operate in the Australian diagnostic imaging industry. Industry operators predominantly utilise non-invasive processes to create medical imaging of the structures and activities inside the body. These processes, also called modalities, include X-ray, CT, PET, MRI and ultrasound. The industry is largely dependent on Medicare and health professional referrals and is expected to expand, driven by Australia's growing and ageing population and through technological advancements.

Diagnostic imaging services

Technical professionals

Radiologists are fully licensed medical practitioners that specialise in interpreting medical images to diagnose disease or injury. A qualified radiologist is required to demonstrate at least two full years of residency and complete the five-year training program administered by The Royal Australian and New Zealand College of Radiologists (RANZCR). Once accredited a radiologist may specialise in areas such as nuclear, cardiothoracic or paediatric radiology.

Other notable professional groups include sonographers and radiographers who operate the specialised diagnostic imaging equipment and nuclear medicine technologists who are responsible for administering compounds into patients for diagnostic imaging purposes.

Modalities

Modalities are the different techniques and technologies utilised to produce medical images, these include:

Table 42: Modality types

Modality	Description
X-ray	Involves the use of X-rays which are absorbed differently by the various structures in the body, such as bones and soft tissues to produce a two-dimensional medical image. The procedure which is conducted by a radiographer or radiologist takes less than 15 minutes and exposes a patient to relatively low amounts of radiation. X-rays are performed to diagnose conditions in bones, lungs and blood vessels as well as detecting foreign objects and blockages within the body. Types of X-rays include plain radiography, mammography (X-ray for breasts), angiography (X-ray for blood vessels) and bone density scans.
CT	Involves the use of a specialised machine which moves in a circular motion around the patient to capture multiple X-ray images of the body. The scans are then combined by software to create a three-dimensional medical image of the area of interest, adding the element of depth. The procedure which is conducted by a radiographer or radiologist takes between 10 to 15 minutes and exposes the patient to higher levels of radiation when compared to an X-ray. CT scans are conducted to assist in visualising the structure and anatomy of a patient's body.
PET (or nuclear medicine)	The injection of small amounts of short-acting radioactive material into a patient via intravenous line. This material (which emits energy whilst in the patient's body) is picked up by a PET scanner. Unlike an X-ray or CT-scan the PET scan focuses on analysing organ function as opposed to capturing structure. A PET scan takes between 15 to 20 minutes and can be performed to identify tumours and monitor the spread or recurrence of cancer, brain

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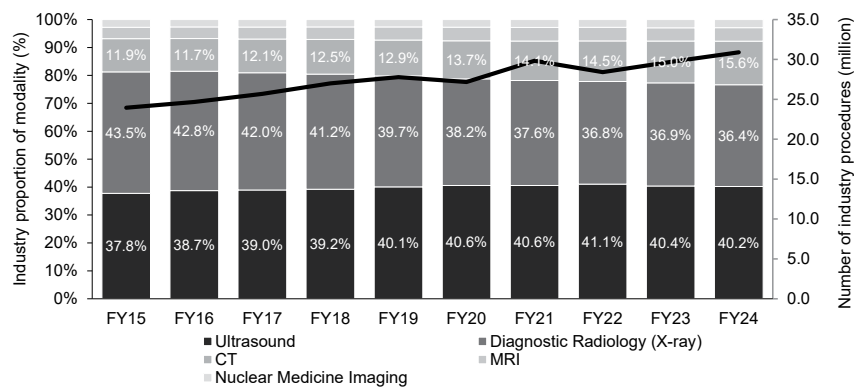


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Modality	Description
	disorders and heart conditions. The procedure is conducted by a nuclear medicine technologist and assessed by a nuclear medicine physician (specialised radiologist).
MRI	Uses strong magnetic fields and radio waves to generate a three-dimensional medical image. Whilst there are no known side effects of an MRI, the magnet within the machine interacts with metal and can cause serious harm to a patient. MRI scans are typically conducted to investigate, diagnose and plan treatment for tumours, soft tissue injury and joint disease. The procedure conducted by a radiographer or radiologist requires a patient to lie in an MRI scanner for upwards of two hours depending on the area of interest.
Ultrasound	Involves the use of sound waves to create a real-time medical image of the body. However, unlike radiation, magnetic field and radio wave-based technologies, ultrasounds have limited capabilities to capture imaging of bones or tissues that are full of air such as the lungs. The procedure which is conducted by a radiologist or sonographer can take between 20 to 60 minutes and has no aftereffects. Common types of ultrasound scans include obstetric (pregnancy ultrasound), abdominal, female pelvis, breast, renal (urinary tract, kidney and bladder ultrasound) and transrectal (prostate gland ultrasound).

The choice of modality or medical imaging technique for a patient is dependent on several factors including the information sought by their health professional, disease or injury and circumstances. A breakdown of the proportion of modality as well as the number of procedures between FY15 to FY24 are presented below.

Figure 24: FY15 to FY24 industry modality proportions



Source: Medicare Group Reports

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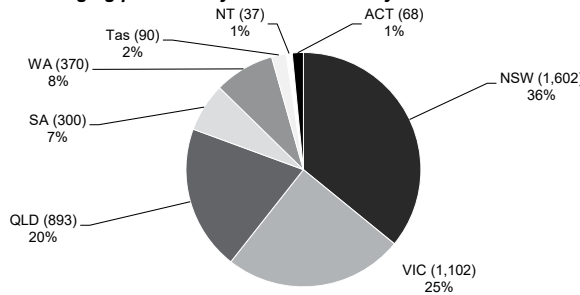


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Providers of the diagnostic imaging industry

According to the Australian Commission on Safety and Quality in Health Care, as at 31 December 2023 there were 4,462 accredited diagnostic image practices in Australia. These providers are largely concentrated on the east coast.

Figure 25: Number of imaging practices by state and territory at 31 December 2023



Source: Australian Commission on Safety and Quality in Health Care (December 2023)

Health professionals

In Australia, most diagnostic imaging services require a referral from a healthcare professional. This is because most industry services are used to investigate a patient’s condition after an initial assessment from their primary healthcare professional (such as a GP). In many instances a patient will be directed to a recommended diagnostic image provider. As a result, clinical relationships and convenience are determining factors of success for operators who focus on outpatients. A GP consultation is generally the first point of contact for most outpatients. Unreferred GP visits amounted to 145.3 million in FY24 although they have been negatively affected by the increase in out-of-pocket expenses to patients (the differential between procedure cost set by the operator and Medicare benefit).

Medicare

Medicare is the national insurance scheme funded by Australian taxpayers that provides citizens and permanent residents with healthcare at no or low cost. Medicare benefits are based on the MBS, a list containing all services subsidised by the Federal Government. As a result, most diagnostic imaging operators receive significant amounts of funding through this program.

In order for a diagnostic imaging operator to provide MBS funded services they must be accredited under the Diagnostic Imaging Accreditation Scheme (DIAS). The DIAS consists of fifteen safety and quality standards developed by the Australian Government Department of Health and Aged Care that an operator must adhere to. The accreditation process occurs every four years via a desktop audit by an accredited agency provider.

At present, all modalities are covered (to a certain extent) under the MBS with the end Medicare benefit to the patient dependent on several factors such as the procedure provided, setting in which the procedure is received (whether as an inpatient or outpatient), cost of the procedure set by the operator and eligibility of the patient to other benefit schemes (such as the Medicare Safety Net and holders of concession and health cards). A breakdown of the Medicare funding by modality between FY15 to FY24 is presented below.

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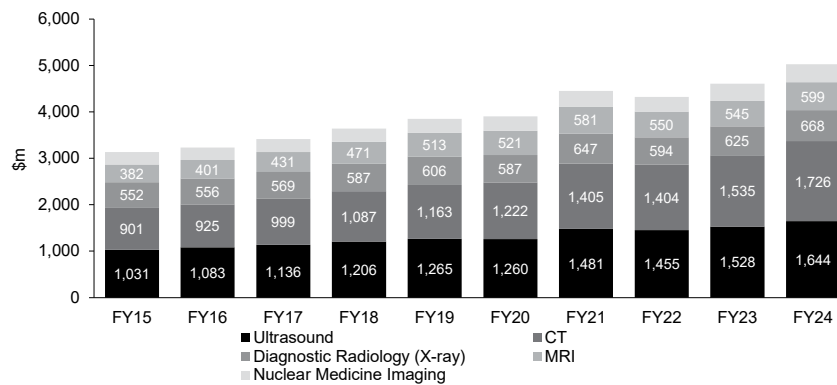
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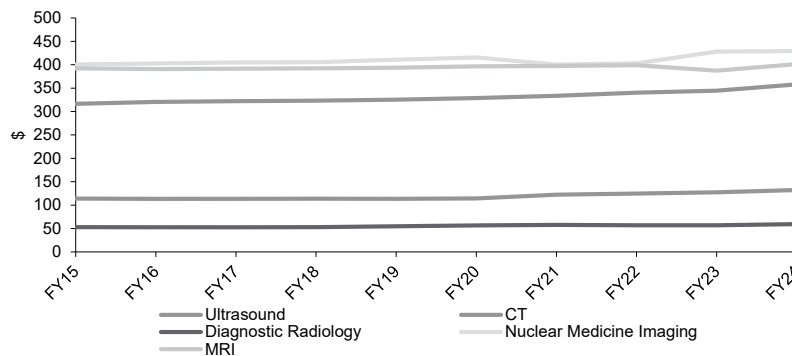
Figure 26: FY15 to FY24 Medicare funding by modality



Source: Medicare Group Reports, Australian Institute of Health and Welfare (October 2023)

The Federal Government regularly implements changes to the MBS by applying indexation to eligible services, updating eligibility requirements or introducing new covered procedures. However, notably, Medicare benefit indexation for the diagnostic imaging services did not occur between 1998 and 2020, which increased out-of-pocket expenses for patients. However, from 1 July 2020 indexation for diagnostic imaging with Medicare benefits were reinstated for the majority of services within the industry. Expected government reforms include the following: CT services will be subject to a 2% fee reduction from 1 November 2024, other non-PET services will be indexed at 3.5% from 1 November 2024, and PET services will have indexation reinstated from 1 July 2027. The average MBS benefit by modality between FY15 to FY24 is presented below and has remained relatively constant due to the absence of indexation.

Figure 27: FY15 to FY24 average modality benefit



Source: Medicare Group Reports (June 2024)

Under Medicare, most healthcare operators bulk bill where the practice accepts the patient's Medicare benefit entitlement as full payment for the provision of service. This strategy reduces the need for operators to follow up on payment from the patient as well as attracting more

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patients to the practice due to the lack of out-of-pocket expenses. Furthermore, bulk billing incentive payments are also available under the MBS to motivate medical practitioners to bulk bill, with MBS benefits scaled for patients who live in regional, rural and remote communities, and small incentive payments to operators for vulnerable patient groups.

Private health insurance

Private health insurance provides coverage for services not fully covered by Medicare or bulk billing and is normally provided as hospital (inpatient) and extras cover (such as visits to the dentist or physiotherapist). Importantly, excluded from private health insurance coverage are outpatient diagnostic imaging and tests, the avenue for which most patients will seek industry services. This forces recipients to self-fund any out-of-pocket expenses levied by an operator and may deter visits to a specific practice. According to the Australian Prudential Regulation Authority as at 31 March 2024, 14.1 million or 44.8% of the population were covered by private health insurance.

Operating considerations within the diagnostic imaging industry

MRI deregulation

Included as part of the 2024-25 budget are measures to deregulate MRI services to improve patient affordability by increasing provider competition. This would be achieved through a staged removal of licensing arrangements whereby:

- from 1 July 2025, any practice location that holds a current licence (full or partial) will receive a "practice-based" licence that provides full Medicare eligibility to all MRI equipment located at the practice. Sites without an existing MRI licence will need to wait until the next phase
- from 1 July 2027, all diagnostic imaging practices will be eligible to access all Medicare funded MRI services, at which point all MRI licensing requirements will cease.

This is in contrast with the current licensing arrangements whereby, depending on the class of the machine (fully licenced, partially licenced or unlicensed) and location (whether in the metro or regional, rural or remote), the ability for a clinic to be reimbursed for their MRI services on the MBS can be limited.

Capital sensitivity

Per the MBS, equipment utilised by the operator which has exceeded its effective life will not receive Medicare benefits for services rendered. This ensures that operators regularly upgrade and replace their specialised machinery. There are specific rules with regard to second hand equipment, the extent to which an operator can upgrade equipment to extend its effective life and exemptions.

Staffing

There has been a longstanding shortage of diagnostic imaging specialists and technicians across Australia due to the specialised nature and lead time to train staff. Measures to address the shortage include the inclusion of specialist training programs, teleradiology and propositions to upskill other health professionals such as nurses and nurse practitioners. The skills shortage, alongside payroll tax and superannuation contribution changes have increased staff costs leading to margin constraints for some operators.

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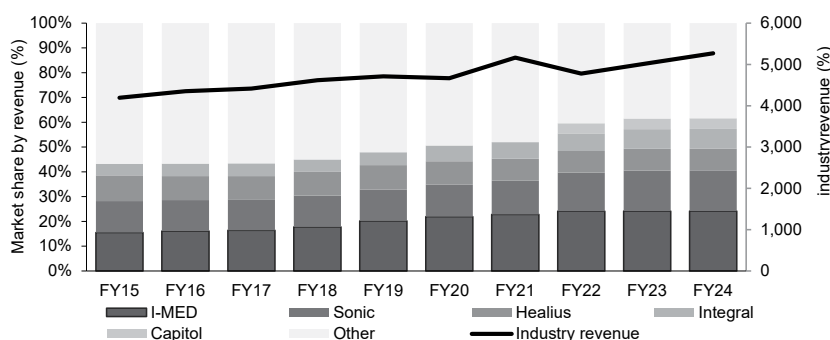
Industry competition

Intense industry competition has resulted in the top five operators increasing their market share through strategic acquisition of smaller rivals. During FY24, the top five operators contributed approximately 62% of the industry’s revenue (depicted below). Large scale operators have been less exposed to industry trends such as the shortage of radiologists and sonographers, sticky local referral networks and MRI licensing restrictions. This progressive consolidation of the industry reflects the challenging operating conditions including margin pressure, the lack of MBS indexation and rising accreditation requirements.

The outlook for the industry is anticipated to improve somewhat with the reintroduction of MBS indexation, and demand from Australia’s growing and aging population.

The market share of operators and total industry revenue between FY15 to FY24 is presented below.

Figure 28: FY15 to FY24 diagnostic imaging market share and industry revenue



Source: IBISWorld (May 2024)
Note: Capitol is included in Other until FY22

Growth in the Australian diagnostic imaging industry

Growth in the industry is anticipated to be driven by Australia’s growing and ageing population and through technological advancements. Per IBIS World (as of May 2024), industry revenue is anticipated to increase at a CAGR of 3.7% in the five years through to FY29 (in real terms). On a nominal basis, Macquarie Equity Research (at July 2024) expects industry growth of 7.0% in FY25 followed by 6.0% for FY26 and FY27, driven by MBS indexation and a recovery in GP visitation.

Growing and ageing population

The Australian Bureau of Statistics (November 2023) forecast Australia’s population to grow from 26.9 million in 2024 to 39.1 million in 2071 driven predominantly by overseas migration. Australia’s median age is expected to increase from 38.5 years in 2022 to between 43.8 and 47.6 years in 2071. A growing and ageing population is expected to support long-term growth.

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Technology

As healthcare becomes more focused on early detection and prevention, the demand for industry services is anticipated to increase. Supporting this trend is the Federal Government's Medical Research Fund which has committed \$6.5 billion for health and medical research. Notable research missions of the fund include the areas of cardiovascular and neurological conditions which rely heavily on diagnostic imaging. The industry has already embraced technologies that support teleradiology which allows medical images to be transmitted electronically and assessed remotely, currently prevalent for patients in rural and remote locations.



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Appendix 4 – Overview of valuation methodology

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable industry, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF approach.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the valuation date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically, a forecast period of at least five years is required, although this can vary by industry and within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some industries it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of

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earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.



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Appendix 5 – Market evidence

Table 43: Sharemarket evidence – Australian listed radiology and healthcare companies - betas and gearing

Company	Description	Market cap ¹ \$m	Unlevered beta 2-year weekly	Unlevered beta 5-year monthly	Net debt to EV 2-year average	Net debt to EV 5-year average
Australian radiology companies						
Integral	Radiology	594	0.31	0.99	21%	17%
Capitol	Radiology	263	0.57	0.98	12%	10%
Mean (excluding outliers)			n/a	0.99	17%	14%
Median (excluding outliers)			n/a	0.99	17%	14%
Australian healthcare companies						
Ramsay	Hospitals	9,333	0.90	0.77	26%	21%
Sonic Healthcare	Pathology & Radiology	12,975	0.84	0.84	8%	10%
Healius	Pathology & Radiology	1,267	0.99	0.94	19%	19%
Monash IVF	IVF	460	0.71	1.43	6%	7%
Australian Clinical Labs	Pathology	683	0.87	n/a	3%	n/a
Pacific Smiles	Dental services	280	1.07	1.25	1%	1%
Mean (excluding outliers)			0.86	1.05	11%	12%
Median (excluding outliers)			0.87	0.94	7%	10%

Source: S&P Capital IQ (data as at 13 September 2024) and KPMG Corporate Finance analysis

Note:

- 1 Market capitalisation (Market Cap) is calculated using closing prices on 13 September 2024, except for Integral and Capitol which are calculated using closing prices as at 14 June 2024, one day prior to the announcement of the Process Deed
- 2 Outliers have been shaded and excluded from the calculation of descriptive statistics (where specified)
- 3 Cash has been offset against debt for the purposes of calculating the gearing ratios 'debt to equity' and 'debt to value'
- 4 For gearing calculation purposes, finance and operating leases have been excluded from net debt

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Description of companies – Australian listed healthcare companies

Ramsay Healthcare Limited

Ramsay Health Care Limited (**Ramsay**) owns and operates hospitals and clinics. The company offers health care services to public and private patients. It operates facilities in approximately 530 locations across the following segments:

- Asia Pacific (37.7% of FY24 EBITDA): it is the largest Australian private hospital operator with 74 hospitals. Its services also include mental health clinics, in-community care and the operation of three public hospital facilities. It also operates three hospitals in Indonesia and four hospitals in Malaysia as Ramsay Sime Darby (50:50 joint venture)
- United Kingdom (14.8% of FY24 EBITDA): has a network of 34 acute hospitals and day procedure centres providing clinical specialities and diagnostic imaging services. It also acquired Elysium, which operates 84 long-term medium and low secure hospitals and complex care homes for people with mental health conditions
- Europe: operates as Ramsay Santé with 411 multidisciplinary hospitals, clinics and primary care centres. It has leading positions in France (34.6% of FY24 EBITDA) and in the Nordics (12.9% of FY24 EBITDA) including Sweden, Norway and Denmark.

Sonic Healthcare Limited

Sonic Healthcare Limited (**Sonic**) offers medical diagnostic services to medical practitioners, hospitals, community health services and their collective patients. The company operates two main segments⁴²:

- Laboratory (83.7% of FY24 EBITDA): Sonic offers a range of more than 3,000 different tests including genetic and molecular pathology
- Radiology (13.3% of FY24 EBITDA): Sonic's Australian radiology division contains 300 specialist radiologists and nuclear physicians who provide a wide variety of services (including but not limited to MRI, PET, CT and ultrasounds) at over 120 centres.

The company's pathology division operates across Australia, the United Kingdom, Ireland, the United States, Germany, Switzerland, NZ, Belgium and internationally. Radiology services are only provided in Australia.

Healius Limited

Healius Limited (**Healius**) provides diagnostic imaging services, private medical laboratory, and pathology services to consumers and practitioners across Australia. The company operates across two segments⁴³:

- Healius Pathology (75.2% of FY24 EBITDA): operates a network of 2,057 approved collection centres and 95 laboratories across all states and territories

⁴² Based on unaudited preliminary FY24 report.

⁴³ Healius 'Other' segment is a cost centre, contributing negative 3.2% of total FY24 EBITDA. Based on unaudited preliminary FY24 report.



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- Lumus Imaging (28.1% of FY24 EBITDA): operates a network of 148 sites and over 160 radiologists (in every state and territory excluding NT and TAS) comprised of stand-alone community imaging centres and imaging facilities within private and public hospitals.

Monash IVF Group Limited

Monash IVF Group Limited (**Monash IVF**) provides assisted reproductive and specialist women's imaging services predominantly in Australia and internationally. The company offers diagnostic obstetric, gynaecological ultrasound and fertility treatment services under the following segments:

- Australia (94% of FY24 EBITDA): provider of assisted reproductive services, ultrasound and other related services in every mainland capital city of Australia
- International (6% of FY24 EBITDA): provider of assisted reproductive services in Southeast Asia (including Malaysia, Singapore and Indonesia) through its five clinics.

The company's more than 100 fertility specialists operate across almost 40 clinics, 16 ultrasound sites, 12 pathology laboratories and two genetic laboratories.

The company's FY24 financial performance was significantly impacted by the settlement of a Class Action of \$56 million (pre-tax). Monash IVF generated an Adjusted EBITDA of \$62.8 million (on a pre-AASB16 basis) in FY24, when adjusted for Class Action net settlement and related costs.

Australian Clinical Labs Limited

Australian Clinical Labs Limited (**Australian Clinical Labs**) provides pathology services across Australia (except Tasmania) with over 1,300 approved collection centres and 73 National Association of Testing Authorities (**NATA**) accredited laboratories. The company offers a range of services to private and public hospitals, mainly relating to pathology services (approximately 97% of FY24 revenue), which include routine pathology tests and advanced molecular genetics testing among others.

It is also a provider of skin cancer care via the SunDoctors brand, operating 31 clinics across QLD, NSW and VIC.

Pacific Smiles Group Limited

Pacific Smiles Group Limited (**Pacific Smiles**) owns and operates dental centres under the Pacific Smiles Dental Centres and nib Dental Care Centres names in Australia. Currently operating over 120 centres, Pacific Smiles provides dentists with fully serviced and equipped facilities providing support staff, materials, marketing and administrative services. The company provides general dentistry services, dental treatments and advanced dentistry including dental implants. It also provides specialist dentistry comprising orthodontics, prosthodontics, endodontics and periodontics, as well as other treatments under general anaesthetic and intravenous sedation.

We note that Pacific Smiles is subject to a takeover offer.

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Appendix 6 – Transaction evidence

Description of transaction companies

PRP Diagnostic Imaging Pty Limited (November 2022)

In November 2022, IFM Investors' Long Term Private Capital Fund (LTPC) in partnership with UniSuper acquired a majority interest in PRP Diagnostic Imaging Pty Limited (**PRP Diagnostic Imaging**) alongside PRP doctors and management for a total consideration of \$800.0 million.

At the time, PRP was a provider of advanced diagnostic imaging services with 25 clinics across NSW.

Future Medical Imaging Group Pty Limited

In November 2022, Capitol acquired Future Medical Imaging Group Pty Limited (**FMIG**) for a total consideration of \$56.1 million.

At the time, FMIG had a presence in Melbourne across 6 clinics, a workforce of 10 radiologists, approximately 100 clinic staff and three partially licensed MRIs.

Horizon Radiology Limited

In July 2022, Integral acquired Horizon Radiology Limited (**Horizon**) for a total consideration of \$30.1 million.

At the time, Horizon was a provider of obstetrics, musculoskeletal X-ray and ultrasound services in Auckland, with 8 clinics located close to major GP referrers.

Peloton Radiology Pty Limited

In July 2022, Integral acquired Peloton Radiology Pty Limited (**Peloton Radiology**) for a total consideration of \$70.5 million.

At the time, Peloton Radiology was a provider of diagnostic imaging services with a presence from Brisbane to the Sunshine Coast. As part of the acquisition Integral acquired:

- nine clinics offering radiology services
- a diagnostic imaging provider with a diversified modality mix including nuclear medicine, CT and MRI
- 12 radiologists
- three partial MRI licenses.

The X-Ray Group Pty Limited

In November 2021, Integral acquired The X-Ray Group Pty Limited (**The X-Ray Group**) for a total consideration of \$45.0 million.

At the time, The X-Ray Group was a regional provider of complex modalities including MRI, CT and nuclear medicine. As part of the acquisition Integral acquired:

- comprehensive clinics in Albury and Wodonga, as well as three smaller community clinics in Wangaratta, Yarrawonga and Lavington
- three Radiologists
- one full MRI license.



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Canberra Imaging Group

In June 2021, Sonic acquired Canberra Imaging Group (**Canberra Imaging**) for a total consideration of \$121.0 million.

At the time, Canberra Imaging was a radiology practice located in Canberra with branches also located in Goulburn and Queanbeyan in NSW. As part of the acquisition Sonic acquired:

- 15 radiologists and approximately 200 other staff
- 10 service sites across 9 locations
- one fully funded, two partially funded and two unlicensed MRI scanners
- one of two private PET-CT scanners in Canberra.

Pacific Radiology Pty Limited

In May 2021, Infratil Limited (**Infratil**) acquired between 50.1% and 60.0% of Pacific Radiology Group Limited (**Pacific Radiology**) for a total consideration of \$807.8 million.

At the time, Pacific Radiology was the largest private diagnostic imaging provider in NZ with the top three radiologist subspecialties being musculoskeletal, body and mammalogy. As part of the acquisition Infratil acquired:

- 30 clinics in the South Island and 16 in the North Island
- 90 radiologists and 650 employees in total throughout NZ
- five modalities of diagnostic imaging including diagnostic radiology, ultrasound, MRI, CT and PET
- a fleet of over 230 mid-life machines.

Qscan Group Holdings

In October 2020, Infratil acquired 60% of Qscan Group Holdings (**Qscan**) for a total consideration of \$735.0 million.

At the time, Qscan was one of Australia's largest radiology providers operating predominantly on the eastern seaboard of Australia. As part of the acquisition Infratil acquired:

- radiology services at 70 clinics across Australia including a network of 10 clinics offering PET
- a diversified cohort of doctors
- over 300 machines
- a recent fleet of high value equipment (MRI, CT and PET)
- teleradiology capability and single reporting platform.

Ascot Radiology Limited

In September 2020, Integral acquired Ascot Radiology Limited (**Ascot Radiology**) for a total consideration of \$50.4 million.

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At the time, Ascot Radiology was a diagnostic imaging business located in Auckland that had specialists working in oncology, gynaecology, obstetrics, paediatrics, breast, chest and musculoskeletal imaging. As part of the acquisition Integral acquired:

- nine diagnostic imaging clinics (including key sites at Ascot Private Hospital)
- 22 Auckland diagnostic imaging specialists
- clinics that provide complex modalities including MRI, CT, PET and nuclear medicine.

PRP Diagnostic Imaging Limited (June 2020)

In June 2020, Crescent Capital Management Partners Limited (**Crescent Capital Partners**) acquired 75% of PRP Diagnostic Imaging for a total consideration of \$440.0 million.

At the time, PRP Diagnostic Imaging was a provider of advanced diagnostic imaging services in Sydney and across NSW.

Imaging Queensland Pty Limited

In November 2019, Integral acquired Imaging Queensland Pty Limited (**Imaging Queensland**) for a total consideration of \$104.0 million.

At the time, Imaging Queensland was a provider of comprehensive diagnostic imaging services, primarily operating in major centres along the Queensland Coast. As part of the acquisition Integral acquired:

- a multi-brand portfolio of 18 radiology sites
- 16 long-tenured radiologists
- radiology services at 8 hospitals
- three full and two partial MRI licenses.

Specialist Radiology Group, Trinity MRI and Cavendish Radiology

In May 2018, Integral acquired the Specialist Radiology Group, Trinity MRI and Cavendish Radiology for a total consideration of \$97.7 million.

The three businesses operate as specialist radiology clinics in Auckland. As part of the acquisition Integral acquired:

- three clinics that provide complex modalities including MRI, CT and single-photon emission computed tomography (SPECT) or nuclear medicine, and a small community site
- 14 radiologists who work in both the public and private sector
- several specialists in musculoskeletal radiology and neuroradiology.

I-MED Radiology Network Limited

In February 2018, Global investment firm Permira acquired I-MED Radiology Network Limited (**I-MED**) for a total consideration of \$1,250.0 million.

At the time, I-MED was Australia's largest medical imaging clinic group operating throughout Australia, covering all major metropolitan areas and significant parts of rural Australia. It offered comprehensive services including X-Ray, PET, CT, MRI, nuclear medicine, ultrasound,



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mammography and interventional procedures. As part of the acquisition Permira acquired, 204 clinics, over 300 radiologists, 50 nuclear medicine specialists and 3,500 staff.

Radiology Tasmania Pty Limited

In January 2018, Capitol acquired Radiology Tasmania Pty Limited (**Radiology Tasmania**) for a total consideration of \$24.2 million.

At the time, Radiology Tasmania was one of two major participants in the Tasmanian market. As part of the acquisition Capitol acquired:

- five diagnostic imaging practices in the Greater Hobart and Launceston regions
- two MRI units (including a full Medicare licensed MRI unit).

Integral

In November 2017, Capitol announced to the market its intention to takeover Integral, however the transaction did not proceed.

The offer implied an enterprise value of \$369.8 million.

Capitol – NSW assets

In August 2017, I-Med purchased Capitol's NSW assets for \$81.5 million.

Two Sydney radiology clinics

In July 2015, Capitol acquired Eastern Radiology Services and Sydney Radiology for a total consideration of \$30.0 million.

Imaging @ Olympic Park Pty Limited

In January 2015, Capitol acquired Imaging @ Olympic Park Pty Limited (**IOP**) for a total consideration of \$25.0 million.

At the time, situated in Melbourne's AAMI Park sporting precinct, Imaging @ Olympic Park was Australia's first stand-alone imaging and treatment day procedure centre and offered access to high quality imaging specialists, equipment and treatment with a primary focus on the diagnosis and treatment of musculoskeletal conditions.

The Imaging @ Olympic Park operation was serviced by two MRI's (both licensed).

Southern Radiology Group

In December 2014, Capitol acquired the private Sydney-based radiology group, Southern Radiology Group for a total consideration of \$64.6 million.

At the time, Southern Radiology Group provided diagnostic imaging services in metropolitan Sydney and consisted of private community and hospital-based practices. They employed imaging specialists across a range of fields including prostate, urology, musculoskeletal and neurology. As part of the acquisition Capitol acquired:

- 14 clinics
- two imaging research facilities
- eight radiologists
- five MRI licenses.

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Part Two – KPMG FAS Corporate Finance Financial Services Guide

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd (**KPMG FAS**) ABN 43 007 363 215, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**).

Adele Thomas is an authorised representative of KPMG FAS, authorised representative number 404180 and Sean Collins as an authorised representative of KPMG FAS, authorised representative number 404189 (**Authorised Representatives**).

This FSG includes information about:

- KPMG FAS and its Authorised Representative/s and how they can be contacted;
- The services KPMG FAS and its Authorised Representative/s are authorised to provide;
- How KPMG FAS and its Authorised Representative/s are paid;
- Any relevant associations or relationships of KPMG FAS and its Authorised Representative/s;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
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- foreign exchange contracts;
- debentures, stocks or bonds issued or proposed to be issued by government;
- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units, to retail and wholesale clients.

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KPMG FAS has been engaged by Capitol Health Limited (**Client**) to provide general financial product advice in the form of a Report to be included in the Scheme Booklet (**Document**) prepared by the Client

in relation to the merger with Integral Diagnostics Limited (**Transaction**).

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KPMG FAS and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

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Fees KPMG FAS may receive and remuneration or other benefits received by our representatives

KPMG FAS charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG FAS \$185,000 for preparing the Report. KPMG FAS and its officers,

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*Capitol Health Limited
Independent Expert Report and Financial Services Guide
23 September 2024*

representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG FAS officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the **KPMG Partnership**). KPMG FAS' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG FAS nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures, KPMG FAS operates as part of the KPMG Australian firm. KPMG FAS' directors and Authorised Representatives may be partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG FAS and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG FAS, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided a range of services to the Client and for which professional fees are received. Over the past two years professional fees of approximately \$21,677 have been received from the Client. None of those services have related to the strategic advice relating to the Transaction or alternatives to the Transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG FAS or the Authorised Representative know. Complaints can be sent in writing to:

The Complaints Officer
KPMG
GPO Box 2291U
Melbourne, VIC 3000

or via email (AU-FM-AFSL-COMPLAINT@kpmg.com.au).

If you have difficulty in putting your complaint in writing, please call (03) 9288 5555 where you will be directed to the Complaints Officer who will assist you in documenting your complaint.

We will acknowledge receipt of your complaint, in writing, within 1 business day or as soon as practicable and will investigate your complaint fairly and in a timely manner.

Following an investigation of your complaint, you will receive a written response within 30 calendar days. If KPMG FAS is unable to resolve your complaint within 30 calendar days, we will let you know the reasons for the delay and advise you of your right to refer the matter to the Australian Financial Complaints Authority (**AFCA**).

External complaints resolution process

If KPMG FAS cannot resolve your complaint to your satisfaction within 30 days, you can refer the matter to AFCA. AFCA is an independent body that has been established to provide free and impartial assistance to consumers to help in resolving complaints relating to the financial services industry. KPMG FAS is a member of AFCA (member no 11690).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1800 931 678
Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a free call Customer Contact Centre info-line on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG FAS has compensation arrangements for loss or damage in accordance with section 912B of the *Corporations Act 2001* (Cth). KPMG FAS holds professional indemnity insurance which, subject to its terms, provides cover for work performed by KPMG FAS including current and former representatives of KPMG FAS.

Contact Details

You may contact KPMG FAS using the below contact details:

KPMG Corporate Finance (a division of KPMG Financial Advisory Services (Australia) Pty Ltd)
Level 38, International Towers Three
300 Barangaroo Avenue
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7621
Facsimile: (02) 9335 7001

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ANNEXURE 2
INDEPENDENT
LIMITED ASSURANCE
REPORT

ANNEXURE 2 INDEPENDENT LIMITED ASSURANCE REPORT



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Ernst & Young Strategy and Transactions
Limited
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

24 September 2024

The Board of Directors
Integral Diagnostics Limited
Level 9, 45 William Street
Melbourne, Victoria 3000

The Board of Directors
Capitol Health Limited
Level 2, 288 Victoria Parade
East Melbourne, Victoria 3002

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON MERGED GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have been engaged by Integral Diagnostics Limited (“IDX”) and Capitol Health Limited (“Capitol”) (together, the “Merged Group”) to report on the pro forma historical financial information of the Merged Group for inclusion in the scheme booklet dated 24 September 2024 (the “Scheme Booklet”) and issued by Capitol, in respect of the proposed acquisition by IDX of Capitol to be implemented by way of a scheme of arrangement under Part 5.1 of the Corporations Act 2001 between Capitol and its shareholders (the “Scheme”).

Expressions and terms defined in the Scheme Booklet 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 under the *Corporations Act 2001*. Ernst & Young Strategy and Transactions Limited (“Ernst & Young Strategy and Transactions”) holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). David Lomax is a Director and Representative of Ernst & Young Strategy and Transactions. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

Merged Group Pro Forma Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following pro forma historical financial information of the Merged Group:

- ▶ Merged Group pro forma historical income statement for the year ended 30 June 2024 as set out in Section 10.8.5 of the Scheme Booklet;

Page 1

ANNEXURE 2 INDEPENDENT LIMITED ASSURANCE REPORT CONTINUED



- ▶ Merged Group pro forma historical statement of financial position as at 30 June 2024 as set out in Section 10.8.6 of the Scheme Booklet; and
- ▶ Merged Group pro forma historical statement of cash flow for the year ended 30 June 2024 as set out in Section 10.8.7 of the Scheme Booklet,

(Hereafter the “Merged Group Pro Forma Historical Financial Information”).

The Merged Group Pro Forma Historical Financial Information has been derived from the historical financial information of IDX and Capitol as at and for the year ended 30 June 2024 and adjusted for the effects of pro forma adjustments described in Notes (a) to (i) of Section 10.8.8 of the Scheme Booklet.

The historical financial information of IDX as at and for the year ended 30 June 2024 has been derived from its consolidated financial statements for the year ended 30 June 2024, which were audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. PricewaterhouseCoopers issued an unqualified audit opinion on these consolidated financial statements.

The historical financial information of Capitol as at and for the year ended 30 June 2024 has been derived from its consolidated financial statements for the year ended 30 June 2024, which were audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unqualified audit opinion on these consolidated financial statements.

The Merged Group Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australia Accounting Standards (“AAS”) other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the recognition of certain items in periods different from the applicable period under AAS (ii) the exclusion of certain transactions that occurred in the relevant periods, and (iii) the impact of certain transactions as if they occurred on or before 30 June 2024.

Due to its nature, the Merged Group Pro Forma Historical Financial Information does not represent the Merged Group’s actual or prospective financial position, financial performance and cash flows.

The Merged Group Pro Forma Historical Financial Information is presented in the Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors’ Responsibility

The directors of Capitol (“Capitol Directors”) are responsible for the preparation and presentation of the historical financial information of Capitol, including the basis of preparation.



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This includes responsibility for such internal controls as the Capitol Directors determine are necessary to enable the preparation of historical financial information of Capitol that are free from material misstatement, whether due to fraud or error.

The directors of IDX (“IDX Directors”) are responsible for the preparation and presentation of the historical financial information of IDX and the Merged Group Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the historical financial information of IDX and Capitol and included in the Merged Group Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the IDX Directors determine are necessary to enable the preparation of historical financial information of IDX and the Merged Group Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Merged Group Pro Forma Historical 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 Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement 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 a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Merged Group Pro Forma Historical Financial Information.

5. Conclusion

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Merged Group Pro Forma Historical Financial Information comprising:

- ▶ Merged Group pro forma historical income statement for the year ended 30 June 2024 as set out in Section 10.8.5 of the Scheme Booklet;
- ▶ Merged Group pro forma historical statement of financial position as at 30 June 2024 as set out in Section 10.8.6 of the Scheme Booklet; and
- ▶ Merged Group pro forma historical statement of cash flow for the year ended 30 June 2024 as set out in Section 10.8.7 of the Scheme Booklet,

ANNEXURE 2 INDEPENDENT LIMITED ASSURANCE REPORT CONTINUED



is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 10.8.3 of the Scheme Booklet.

6. Restriction on Use

Without modifying our conclusion, we draw attention to Section 10.8.3 of the Scheme Booklet, which describes the purpose of the Merged Group Pro Forma Historical Financial Information. As a result, the Merged Group Pro Forma Historical Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Strategy and Transactions has consented to the inclusion of this limited assurance report in the Scheme Booklet in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Strategy and Transactions does not have any interests in the outcome of the Scheme other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully

A handwritten signature in black ink, appearing to read 'D. Lomax', is written over a faint, light-colored signature line.

David Lomax
Director and Representative
Ernst & Young Strategy and Transactions Limited



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Limited
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Melbourne VIC 3000 Australia
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Tel: +61 3 9288 8000
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24 September 2024

**THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT
LIMITED ASSURANCE REPORT**

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Strategy and Transactions

Ernst & Young **Strategy and Transactions Limited** (“Ernst & Young Strategy and Transactions” or “we,” or “us” or “our”) has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report (“Report”) in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide (“FSG”) provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged 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. Although you have not engaged us directly, a copy of

ANNEXURE 2 INDEPENDENT LIMITED ASSURANCE REPORT CONTINUED



the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$550,000 (inclusive of GST).

Ernst & Young Strategy and Transactions is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Strategy and Transactions, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Strategy and Transactions and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Strategy and Transactions, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints 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 services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority Limited.

9. Compensation Arrangements

Ernst & Young and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Ernst & Young's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Ernst & Young satisfy the requirements of section 912B of the Corporations Act 2001.

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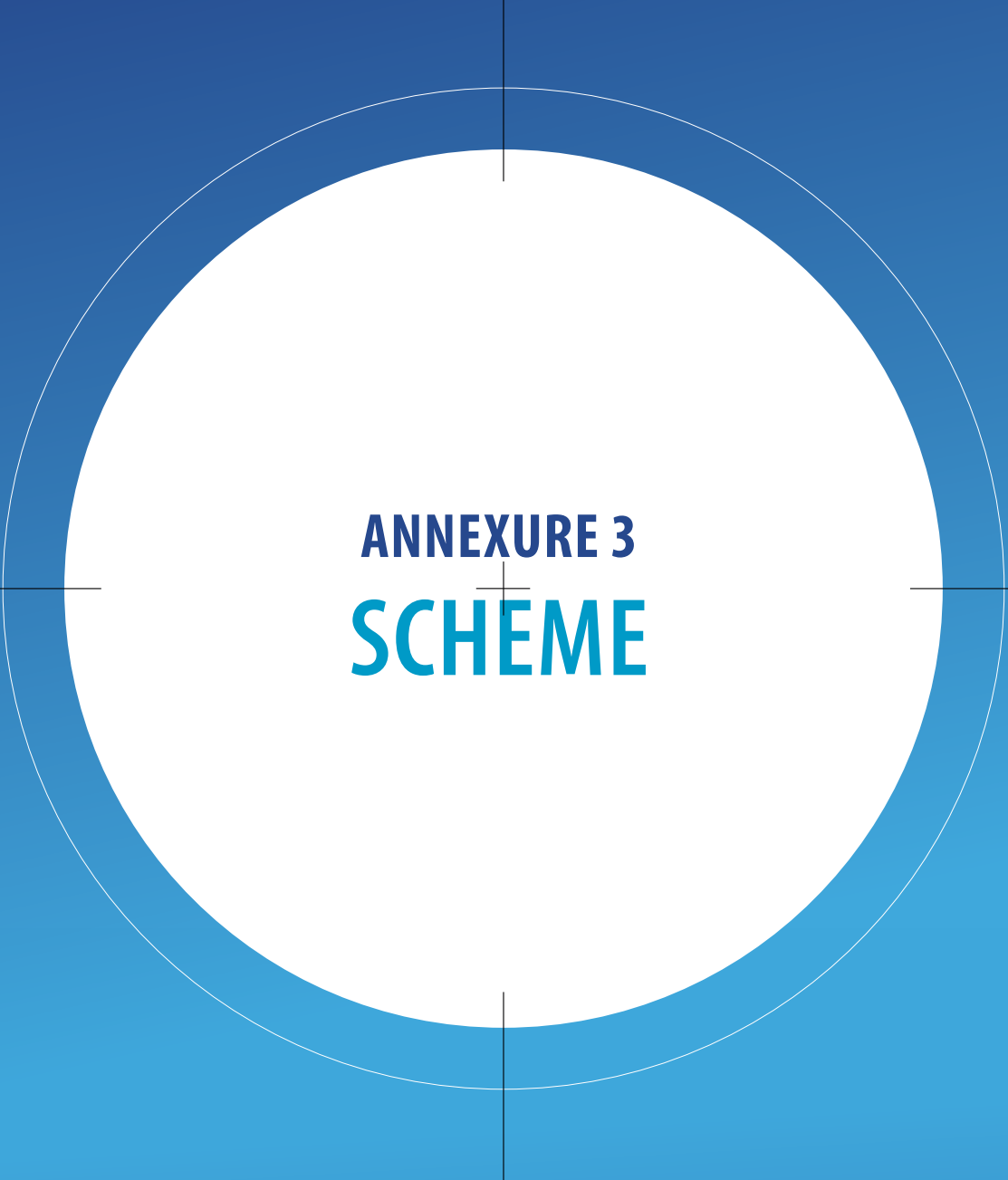


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<p>Contacting Ernst & Young Strategy and Transactions Limited</p> <p>AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000</p> <p>Telephone: (02) 9248 5555</p>	<p>Contacting the Independent Dispute Resolution Scheme:</p> <p>Australian Financial Complaints Authority Limited GPO Box 3 Melbourne, VIC 3001</p> <p>Telephone: 1800 931 678</p>
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This Financial Services Guide has been issued in accordance with ASIC Corporations (Financial Services Guides) Instrument 2015/541.

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ANNEXURE 3
SCHEME

ANNEXURE 3 SCHEME



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Agreed form

Scheme of arrangement

Capitol Health Limited

Scheme Shareholders

80 Collins Street Melbourne Vic 3000 Australia
GPO Box 128 Melbourne Vic 3001 Australia

T +61 3 9288 1234 F +61 3 9288 1567
herbertsmithfreehills.com DX 240 Melbourne

[9496153:44361271_9]

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ANNEXURE 3 SCHEME CONTINUED



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Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

Capitol Health Limited

ACN 117 391 812 of Level 2, 228 Victoria Parade, East
Melbourne VIC 3002

The **Scheme Shareholders**

1 Definitions, interpretation and scheme components

1.1 Definitions

The meanings of the terms used in this Scheme are set out below.

Term	Meaning
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 and, where the context requires, the financial market that it operates.
Business Day	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Melbourne or Sydney.
Capitol	Capitol Health Limited ACN 117 391 812.
Capitol Registry	Computershare Investor Services Pty Limited ACN 078 279 277.
Capitol Share	a fully paid ordinary share in the capital of Capitol.

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1 Definitions, interpretation and scheme components

Term	Meaning
Capitol Shareholder	a person who is registered as the holder of a Capitol Share in the Share Register.
CHES	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd ACN 008 504 532 and ASX Clear Pty Limited ACN 001 314 503.
CHES Holding	has the meaning given in the Settlement Rules.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Court	the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Capitol and IDX.
Deed Poll	the deed poll under which IDX agrees in favour of the Scheme Shareholders to perform the obligations attributed to IDX under this Scheme.
Effective	when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme.
Effective Date	the date on which this Scheme becomes Effective.
End Date	the date that is 9 months after the date of the Implementation Deed, or such other date as agreed between IDX and Capitol.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.
IDX	Integral Diagnostics Limited ACN 130 832 816.
IDX Register	the register of shareholders maintained by IDX or its agent.

ANNEXURE 3 SCHEME CONTINUED



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1 Definitions, interpretation and scheme components

Term	Meaning
IDX Registry	Computershare Investor Services Pty Limited ACN 078 279 277.
IDX Share	a fully paid ordinary share in IDX.
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as agreed in writing by Capitol and IDX.
Implementation Deed	the merger implementation deed dated 18 July 2024 between Capitol and IDX relating to the implementation of this Scheme.
Ineligible Foreign Shareholder	a Scheme Shareholder whose address shown in the Share Register on the Scheme Record Date is a place outside Australia and its external territories or New Zealand, unless IDX determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New IDX Shares when this Scheme becomes Effective.
Issuer Sponsored Holding	has the meaning given in the Settlement Rules.
Market Value	in relation to New IDX Shares, the volume weighted average price of IDX Shares traded on ASX during the 5 trading days before the Implementation Date, as advised by IDX.
New IDX Share	an IDX Share to be issued to Scheme Shareholders under the Scheme.
Registered Address	in relation to a Capitol Shareholder, the address shown in the Share Register as at the Scheme Record Date.
Sale Agent	the sale agent appointed by IDX, to sell the New IDX Shares that are to be issued under clause 5.3(a)(1) of this Scheme.
Scheme	this scheme of arrangement under Part 5.1 of the Corporations Act between Capitol and the Scheme Shareholders, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Capitol and IDX.

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1 Definitions, interpretation and scheme components

Term	Meaning
Scheme Consideration	for each Capitol Share held by a Scheme Shareholder as at the Scheme Record Date, 0.12849 New IDX Shares, subject to the terms of this Scheme.
Scheme Meeting	the meeting of the Capitol Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Record Date	7.00pm on the second Business Day after the Effective Date or such other time as agreed in writing by Capitol and IDX.
Scheme Shareholder	a Capitol Shareholder as at the Scheme Record Date.
Scheme Shares	all Capitol Shares held by the Scheme Shareholders as at the Scheme Record Date.
Scheme Transfer	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of IDX as transferee, which will be a master transfer of all or part of the Scheme Shares.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned application or appeal is heard.
Settlement Rules	the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd ACN 008 504 532.
Share Register	the register of members of Capitol maintained by Capitol or the Capitol Registry in accordance with the Corporations Act.
Unmarketable Parcel Shareholder	a Scheme Shareholder who, based on their holding of Scheme Shares would, on implementation of the Scheme, be entitled to receive less than a marketable parcel (as that term is defined in the ASX Listing Rules) of New IDX Shares (assessed by reference to the price of IDX Shares on ASX at the close of trade on the trading day prior to the Scheme Record Date) as Scheme Consideration.

ANNEXURE 3 SCHEME CONTINUED



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1 Definitions, interpretation and scheme components

1.2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them (whether passed by the same or another Government Agency with legal power to do so);
- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Melbourne, Victoria;
- (k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1.1, has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (o) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,
 is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (p) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (q) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (r) if an act prescribed under this Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and



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2 Preliminary matters

- (s) a reference to the Operating Rules or the Settlement Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

1.3 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.4 Reasonable endeavours

Any provision of this Scheme that requires a party to use reasonable endeavours or all reasonable endeavours, or to take all steps reasonably necessary, to ensure that something is performed or occurs or does not occur does not include any obligation:

- (a) to procure absolutely that that thing is done or happens;
- (b) to pay any money or to provide any financial compensation, valuable consideration or any other incentive to or for the benefit of any person:
- (1) in the form of an inducement or consideration to a third party; or
 - (2) in circumstances that are commercially onerous or unreasonable in the context of this Scheme,
- except for payment of any applicable fee for the lodgement or filing of any relevant application with any Government Agency or immaterial costs to procure that the thing is performed or occurs or does not occur;
- (c) to agree to commercially onerous or unreasonable terms in the context of this Scheme; or
- (d) to commence any legal action or proceeding against any person.

1.5 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

2 Preliminary matters

- (a) Capitol is a listed public company limited by shares, registered in Western Australia, Australia, and has been admitted to the official list of the ASX. Capitol Shares are quoted for trading on the ASX.
- (b) IDX is a listed public company limited by shares, registered in Victoria, Australia, and has been admitted to the official list of the ASX and the IDX Shares are quoted for trading on the ASX.
- (c) Capitol and IDX have agreed, by executing the Implementation Deed, to implement this Scheme.
- (d) If this Scheme becomes Effective:
- (1) IDX must provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with this Scheme and the Deed Poll; and

ANNEXURE 3 SCHEME CONTINUED



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3 Conditions

- (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to IDX and Capitol will enter the name of IDX in the Share Register in respect of the Scheme Shares.
- (e) This Scheme attributes actions to IDX but does not itself impose an obligation on it to perform those actions. IDX has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders, subject to the Scheme becoming Effective.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in clause 3.1(f) of the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms as at 8.00 am on the Second Court Date;
- (c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Capitol and IDX;
- (d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to in writing by Capitol and IDX having been satisfied or waived; and
- (e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date Capitol and IDX agree in writing).

3.2 Certificate

- (a) Capitol and IDX will provide to the Court on the Second Court Date a certificate in a form agreed by Capitol and IDX, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.
- (b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence (in the absence of manifest error) that such conditions precedent were satisfied, waived or taken to be waived.

3.3 End Date

Without limiting any rights under the Implementation Deed, this Scheme will lapse and be of no further force or effect if:



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4 Implementation of this Scheme

- (a) the Effective Date does not occur on or before the End Date; or
 - (b) either of the Implementation Deed or the Deed Poll is terminated in accordance with its terms,
- unless Capitol and IDX otherwise agree in writing.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

If the conditions set out in clause 3.1 of this Scheme (other than the condition in clause 3.1(e)) are satisfied, Capitol must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible after the Court approves this Scheme and in any event by 5.00pm on the first Business Day after the day on which the Court order was made (or such later time as agreed with IDX).

4.2 Transfer of Scheme Shares

Subject to this Scheme becoming Effective in accordance with clause 4.1, the following actions will occur (in the order set out below), on the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5.1(a), clause 5.3(a)(1) and clause 5.4(a) or, if applicable, the payment of the amounts contemplated by clause 5.4(b)(2), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to IDX, without the need for any further act by any Scheme Shareholder (other than acts performed by Capitol, or its directors, officers or secretaries, as attorney and agent for Scheme Shareholders under clause 8.5), by:
 - (1) Capitol delivering to IDX a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by Capitol, for registration; and
 - (2) IDX duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Capitol for registration;
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), but subject to the stamping of the Scheme Transfer (if required), Capitol must enter, or procure the entry of, the name of IDX in the Share Register as the registered holder of all the Scheme Shares; and
- (c) the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to IDX will, at the time of transfer of them to IDX, vest in IDX free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.

ANNEXURE 3 SCHEME CONTINUED



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5 Scheme Consideration

5 Scheme Consideration

5.1 Provision of Scheme Consideration

IDX must, subject to clauses 5.2, 5.3, 5.4, 5.5 and 5.7:

- (a) on or before the Implementation Date, issue the Scheme Consideration to the Scheme Shareholders and procure that the name and address of each Scheme Shareholder is entered in the IDX Register in respect of those New IDX Shares; and
- (b) procure that on or before the date that is 10 Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder representing the number of New IDX Shares issued to the Scheme Shareholder pursuant to this Scheme.

5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) the New IDX Shares to be issued under this Scheme must be issued to and registered in the names of the joint holders;
- (b) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Capitol, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders; and
- (c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Capitol, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

5.3 Ineligible Foreign Shareholders

- (a) IDX will be under no obligation to issue any New IDX Shares under this Scheme to any Ineligible Foreign Shareholder and instead:
 - (1) subject to clauses 5.4 and 5.7, IDX must, on or before the Implementation Date, issue the New IDX Shares which would otherwise be required to be issued to the Ineligible Foreign Shareholders under this Scheme to the Sale Agent;
 - (2) IDX must procure that as soon as reasonably practicable on or after the Implementation Date, the Sale Agent, in consultation with IDX sells or procures the sale of all the New IDX Shares issued to the Sale Agent and remits to IDX the proceeds of the sale (after deduction of any applicable brokerage, stamp duty and other costs, taxes and charges) (**Proceeds**);
 - (3) promptly after receiving the Proceeds in respect of the sale of all of the New IDX Shares referred to in clause 5.3(a)(1), IDX must pay, or procure the payment, to each Ineligible Foreign Shareholder, of the amount 'A' calculated in accordance with the following formula and rounded down to the nearest cent:

$$A = (B \div C) \times D$$

where



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5 Scheme Consideration

B = the number of New IDX Shares that would otherwise have been issued to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which were issued to the Sale Agent;

C = the total number of New IDX Shares which would otherwise have been issued to all Ineligible Foreign Shareholders and which were issued to the Sale Agent; and

D = the Proceeds (as defined in clause 5.3(a)(2)).

- (b) The Ineligible Foreign Shareholders acknowledge that none of IDX, Capitol or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New IDX Shares described in clause 5.3(a) and Capitol, IDX and the Sale Agent expressly disclaim any fiduciary duty to the Ineligible Foreign Shareholders which may arise in connection with this clause 5.3.
- (c) IDX must make, or procure the making of, payments to Ineligible Foreign Shareholders under clause 5.3(a) by either (in the absolute discretion of IDX, and despite any election referred to in clause 5.3(c)(1) or authority referred to in clause 5.3(c)(2) made or given by the Scheme Shareholder):
- (1) if an Ineligible Foreign Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Capitol Registry to receive dividend payments from Capitol by electronic funds transfer to a bank account nominated by the Ineligible Foreign Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
 - (2) paying or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Ineligible Foreign Shareholder by an appropriate authority from the Ineligible Foreign Shareholder to IDX; or
 - (3) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Foreign Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Ineligible Foreign Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).
- (d) If IDX receives professional advice that any withholding or other tax is required by law or by a Government Agency to be withheld from a payment to an Ineligible Foreign Shareholder, IDX is entitled to withhold the relevant amount before making the payment to the Ineligible Foreign Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 5.3(a)(3)). IDX must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Ineligible Foreign Shareholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Ineligible Foreign Shareholder.
- (e) Each Ineligible Foreign Shareholder appoints IDX as its agent to receive on its behalf any financial services guide (or similar or equivalent document) or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act or any other applicable law.

ANNEXURE 3 SCHEME CONTINUED



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5 Scheme Consideration

- (f) Payment of the amount calculated in accordance with clause 5.3(a) to an Ineligible Foreign Shareholder in accordance with this clause 5.3 satisfies in full the Ineligible Foreign Shareholder's right to Scheme Consideration.
- (g) Where the issue of New IDX Shares to which a Scheme Shareholder would otherwise be entitled under this Scheme would result in a breach of law:
 - (1) IDX will issue the maximum possible number of New IDX Shares to the Scheme Shareholder without giving rise to such a breach; and
 - (2) any further New IDX Shares to which that Scheme Shareholder is entitled, but the issue of which to the Scheme Shareholder would give rise to such a breach, will instead be issued to the Sale Agent and dealt with under the preceding provisions in this clause 5.3, as if a reference to Ineligible Foreign Shareholders also included that Scheme Shareholder and references to that person's New IDX Shares in that clause were limited to the New IDX Shares issued to the Sale Agent under this clause.

5.4 Unmarketable Parcel Shareholders

IDX will be under no obligation to issue any New IDX Shares under this Scheme to an Unmarketable Parcel Shareholder and instead:

- (a) if there are Ineligible Foreign Shareholders and the process for dealing with the Scheme Consideration payable to Ineligible Foreign Shareholders set out in clause 5.3 applies, the New IDX Shares to which each Unmarketable Parcel Shareholder would otherwise be entitled will be treated under this Scheme as if the Unmarketable Parcel Shareholder was an Ineligible Foreign Shareholder (with the effect that the relevant New IDX Shares will be issued to the Sale Agent and sold under clause 5.3 and the proceeds dealt with in the same way as the proceeds of sale of the other New IDX Shares sold under clause 5.3, with each Unmarketable Parcel Shareholder being deemed to give the same acknowledgments and approvals in that regard as an Ineligible Foreign Shareholder); and
- (b) if there are no Ineligible Foreign Shareholders and, as a consequence, the process for dealing with the Scheme Consideration payable to Ineligible Foreign Shareholders set out in clause 5.3 does not apply:
 - (1) IDX must by no later than the Business Day before the Implementation Date, deposit, or procure the deposit of, in cleared funds an amount equal to the aggregate Market Value of the New IDX Shares to which all Unmarketable Parcel Shareholders would otherwise be entitled under this Scheme into an Australian dollar denominated trust account with an authorised deposit-taking institution (as defined in the *Banking Act 1959* (Cth)) operated by Capitol as trustee for the Unmarketable Parcel Shareholders (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to IDX's account).
 - (2) On the Implementation Date, subject to the funds having been deposited in accordance with clause 5.4(b)(1), Capitol must pay or procure the payment from the trust account referred to in clause 5.4(b)(1) to each Unmarketable Parcel Shareholder such amount of cash as is due to that shareholder as consideration equal to the Market Value of the New IDX Shares that would have otherwise been issued to that Unmarketable Parcel Shareholder had it not been an Unmarketable Parcel Shareholder.



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5 Scheme Consideration

- (3) The obligations of Capitol under clause 5.4(b)(2) will be satisfied by Capitol (in its absolute discretion, and despite any election referred to in clause 5.4(b)(3)(A) or authority referred to in clause 5.4(b)(3)(B) made or given by the Unmarketable Parcel Shareholder):
- (A) if an Unmarketable Parcel Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Capitol Registry to receive dividend payments from Capitol by electronic funds transfer to a bank account nominated by the shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
 - (B) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the shareholder by an appropriate authority from the shareholder to IDX; or
 - (C) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).
- (4) Payment of the cash consideration to an Unmarketable Parcel Shareholder in accordance with clause 5.4(b)(2) satisfies in full the Unmarketable Parcel Shareholder's right to Scheme Consideration.
- (5) To the extent that, following satisfaction of Capitol's obligations under clause 5.4(b)(2), there is a surplus in the amount held by Capitol as trustee for the Unmarketable Parcel Shareholders in the trust account referred to in that clause, that surplus must be paid by Capitol to IDX.
- (c) An Unmarketable Parcel Shareholder that is not an Ineligible Foreign Shareholder may elect that the provisions of this clause 5.4 not be applied to them by validly completing and returning before the Effective Date an election form available on request from the Capitol Registry, in which case they will receive the Scheme Consideration on implementation, subject to the terms of this Scheme.

5.5 Fractional entitlements and splitting

- (a) Where the calculation of the number of New IDX Shares to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a New IDX Share, the fractional entitlement will be rounded down to the nearest whole number of New IDX Shares (but, subject to clause 5.5(a), provided that such rounding will not create an entitlement to less than one New IDX Share).
- (a) If IDX is of the opinion, formed reasonably, that several Scheme Shareholders, have been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the minimum provided in clause 5.5(a), IDX may direct Capitol to give notice to those Scheme Shareholders:
 - (1) setting out the names and Registered Addresses of all of them;
 - (2) stating that opinion; and

ANNEXURE 3 SCHEME CONTINUED



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5 Scheme Consideration

- (3) attributing to one of them specifically identified in the notice the Capitol Shares held by all of them,

and, after the notice has been given, the Scheme Shareholder specifically identified in the notice is, for the purposes of this Scheme, be taken to hold all those Capitol Shares and each of the other Scheme Shareholders whose names are set out in the notice are, for the purposes of this Scheme, be taken to hold no Capitol Shares.

5.6 Unclaimed monies

- (a) IDX may cancel a cheque issued under this clause 5 if the cheque:
- (1) is returned to Capitol or IDX; or
 - (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Capitol or IDX (or the Capitol Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), IDX must reissue a cheque that was previously cancelled under this clause 5.6.
- (c) The *Unclaimed Money Act 2008* (Vic) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of that Act), but any interest or other benefit accrued from the unclaimed Scheme Consideration will be for the benefit of IDX.

5.7 Orders of a court or Government Agency

If written notice is given to Capitol (or the Capitol Registry) or IDX (or the IDX Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by IDX in accordance with this clause 5, then IDX shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents IDX from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, IDX shall be entitled to (as applicable):
- (1) in the case of an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder, retain an amount, in Australian dollars, equal to the relevant shareholder's share of the Proceeds or consideration referred to in clause 5.4; or
 - (2) not to issue, or to issue to a trustee or nominee, such number of New IDX Shares as that Scheme Shareholder would otherwise be entitled to under clause 5.1,

until such time as provision of the Scheme Consideration in accordance with this clause 5 is permitted by that (or another) order or direction or otherwise by law.



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6 Dealings in Capitol Shares

5.8 Status of New IDX Shares

Subject to this Scheme becoming Effective, IDX must:

- (a) issue the New IDX Shares required to be issued by it under this Scheme on terms such that each such New IDX Share will rank equally in all respects with each existing IDX Share;
- (b) ensure that each such New IDX Share is duly and validly issued in accordance with all applicable laws and IDX's constitution, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under IDX's constitution); and
- (c) use its reasonable endeavours to ensure that the New IDX Shares issued as Scheme Consideration will be listed for quotation on the official list of ASX with effect from the first Business Day after the date this Scheme becomes Effective (or such later date as ASX may require), initially on a deferred settlement basis and, with effect from the first Business Day after the Implementation Date, on an ordinary (T+2) settlement basis.

6 Dealings in Capitol Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Capitol Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Capitol Shares before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received before the Scheme Record Date at the place where the Share Register is kept,

and Capitol must not accept for registration, nor recognise for any purpose (except a transfer to IDX pursuant to this Scheme and any subsequent transfer by IDX or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.2 Register

- (a) Capitol must register registrable transmission applications or transfers of the Scheme Shares that are received in accordance with clause 6.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires Capitol to register a transfer that would result in a Capitol Shareholder holding a parcel of Capitol Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2(a) 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or otherwise deal with, or purport or agree to dispose of or otherwise deal with, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than

ANNEXURE 3 SCHEME CONTINUED



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7 Quotation of Capitol Shares

- pursuant to this Scheme, and any attempt to do so will have no effect and Capitol shall be entitled to disregard any such disposal or dealing.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Capitol must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been provided to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
 - (d) All statements of holding for Capitol Shares will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Capitol Shares relating to that entry.
 - (e) As soon as possible on or after the Scheme Record Date, and in any event by 5.00pm on the first Business Day as from the Scheme Record Date, Capitol will ensure that details of the names, Registered Addresses and holdings of Capitol Shares for each Scheme Shareholder as shown in the Share Register are available to IDX in the form IDX reasonably requires.

7 Quotation of Capitol Shares

- (a) Capitol must apply to ASX to suspend trading on the ASX in Capitol Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by IDX, Capitol must apply:
 - (1) for termination of the official quotation of Capitol Shares on the ASX; and
 - (2) to have itself removed from the official list of the ASX.

8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Capitol may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which IDX has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which Capitol has consented to.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (1) agrees to the transfer of their Capitol Shares together with all rights and entitlements attaching to those Capitol Shares in accordance with this Scheme;



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8 General Scheme provisions

- (2) agrees to the variation, cancellation or modification (if any) of the rights attached to their Capitol Shares constituted by or resulting from this Scheme;
 - (3) agrees to, on the direction of Capitol, destroy any holding statements or share certificates relating to their Capitol Shares;
 - (4) that is issued IDX Shares agrees to become a member of IDX and to be bound by the terms of the constitution of IDX;
 - (5) who holds their Capitol Shares in a CHESS Holding agrees to the conversion of those Capitol Shares to an Issuer Sponsored Holding and irrevocably authorises Capitol to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion; and
 - (6) acknowledges and agrees that this Scheme binds Capitol and all Scheme Shareholders (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to Capitol and IDX on the Implementation Date, and appointed and authorised Capitol as its attorney and agent to warrant to IDX on the Implementation Date, that:
- (1) all their Capitol Shares (including any rights and entitlements attaching to those shares) will, at the time of transfer of them to IDX, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
 - (2) they have full power and capacity to sell and transfer their Capitol Shares to IDX together with any rights and entitlements attaching to those shares; and
 - (3) they have no existing right to be issued any Capitol Shares, or any options, performance rights, securities or other instruments exercisable, or convertible, into Capitol Shares.
- (c) Capitol undertakes that it will provide such warranty in clause 8.2(b) to IDX as agent and attorney of each Scheme Shareholder.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to IDX will, at the time of transfer of them to IDX vest in IDX free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5.1(a), IDX will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Capitol of IDX in the Share Register as the holder of the Scheme Shares.

ANNEXURE 3 SCHEME CONTINUED



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8 General Scheme provisions

8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5.1(a), and until Capitol registers IDX as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed IDX as attorney and agent (and directed IDX in each such capacity) to appoint any director, officer, secretary or agent nominated by IDX as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution or document;
- (b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as IDX reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), IDX and any director, officer, secretary or agent nominated by IDX under clause 8.4(a) may act in the best interests of IDX as the intended registered holder of the Scheme Shares.

8.5 Authority given to Capitol

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints Capitol and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against IDX, and Capitol undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against IDX on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints Capitol and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation):
 - (1) executing the Scheme Transfer; and
 - (2) executing and delivering any deed or document required by IDX, that causes each Scheme Shareholder to become a shareholder of IDX and to be bound by the constitution of IDX,

and Capitol accepts each such appointment. Capitol as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

8.6 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Scheme Shareholder to Capitol that are binding or deemed binding between the Scheme Shareholder and



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9 General

Capitol relating to Capitol or Capitol Shares, including instructions, notifications or elections relating to:

- (a) whether dividends are to be paid by cheque or into a specific bank account;
- (b) payments of dividends on Capitol Shares; and
- (c) notices or other communications from Capitol (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by IDX in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to IDX and to be a binding instruction, notification or election to, and accepted by, IDX in respect of the New IDX Shares issued to that Scheme Shareholder until that instruction, notification or election is revoked or amended in writing addressed to IDX at its registry.

8.7 Binding effect of Scheme

This Scheme binds Capitol and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Capitol.

9 General

9.1 Stamp duty

IDX will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

9.2 Consent

Each of the Scheme Shareholders consents to Capitol doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Capitol or otherwise.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Capitol, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Capitol's registered office or at the office of the Capitol Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Capitol Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

ANNEXURE 3 SCHEME CONTINUED



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9 General

9.4 Governing law

- (a) This Scheme is governed by the laws in force in Victoria.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.


9.5 Further action

Capitol must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

9.6 No liability when acting in good faith

Each Scheme Shareholder agrees that neither Capitol, IDX nor any director, officer, secretary or employee of any of those companies shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

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ANNEXURE 4
DEED POLL

ANNEXURE 4 DEED POLL



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Deed

Execution version

Deed poll

Integral Diagnostics Limited

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Deed poll

Date ▶ 20 September 2024

This deed poll is made

By **Integral Diagnostics Limited**

ACN 130 832 816 of '02' Suite 9, Level 9, 45 William Street
Melbourne VIC 3000

(IDX)

in favour of each Scheme Shareholder.

Recitals

- 1 Capitol and IDX entered into the Implementation Deed.
- 2 In the Implementation Deed, IDX agreed to make this deed poll.
- 3 IDX is making this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to undertake the actions attributed to IDX under the Scheme.

This deed poll provides as follows:

1 Definitions and interpretation

1.1 Definitions

(a) The meanings of the terms used in this deed poll are set out below.

Term	Meaning
Capitol	Capitol Health Limited ACN 117 391 812.
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned application is heard.

ANNEXURE 4 DEED POLL CONTINUED



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2 Conditions to obligations

Term	Meaning
Implementation Deed	the merger implementation deed dated 18 July 2024 between Capitol and IDX relating to the implementation of the Scheme.
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between Capitol and the Scheme Shareholders, substantially in the form attached to the Implementation Deed, or in such other form agreed to in writing by Capitol and IDX, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Capitol and IDX.

- (b) Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Clause 1 of the Scheme applies to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

IDX acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Capitol and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against IDX.

2 Conditions to obligations

2.1 Conditions

This deed poll and the obligations of IDX under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of IDX under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective on or before the End Date, unless IDX and Capitol otherwise agree in writing.

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3 IDX undertakings

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) IDX is released from its obligations under this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against IDX in respect of any breach of this deed poll which occurred before this deed poll was terminated.

3 IDX undertakings

3.1 Undertaking to issue Scheme Consideration

Subject to clause 2, IDX undertakes in favour of each Scheme Shareholder to:

- (a) provide, or procure the provision of, the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and
- (b) undertake all other actions, and give each acknowledgement, representation and warranty (if any), attributed to it under the Scheme,

subject to and in accordance with the provisions of the Scheme.

3.2 Shares to rank equally

IDX covenants in favour of each Scheme Shareholder that the New IDX Shares which are issued to each Scheme Shareholder in accordance with the Scheme will:

- (a) rank equally in all respect with each existing IDX Shares; and
- (b) be duly and validly issued in accordance with all applicable laws and IDX's constitution, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under IDX's constitution).

4 Warranties

IDX represents and warrants in favour of each Scheme Shareholder, in respect of itself, that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and

ANNEXURE 4 DEED POLL CONTINUED



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5 Continuing obligations

- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until the earlier of the date on which:

- (a) IDX has fully performed its obligations under this deed poll; or
- (b) this deed poll is terminated under clause 2.

6 Notices

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English and signed by or on behalf of the sending party; and
- (b) addressed to IDX in accordance with the details set out below (or any alternative details nominated by IDX by Notice).

Attention Ian Kadish, Managing Director and Chief Executive Officer

Address '02' Suite 9, Level 9, 45 William Street Melbourne VIC 3000

Email address ikadish@idxgroup.com.au
Copy to (which will not constitute notice):
Rodd.Levy@hsf.com;
Jason.Jordan@hsf.com; and
Simon.Walker@hsf.com.

If a person sends a communication contemplated by this deed poll other than by email, they must use all reasonable endeavours to send a copy of the communication promptly by email

6.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

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7 General

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address.
By email to the nominated email address	When the party sending the email receives notification that the email was successfully transmitted and read by the receiving party, or if no such notification is received, four hours after the email was sent, unless the party sending the email receives notification that the email was not successfully transmitted.

6.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than email as permitted in clause 6.2).

7 General

7.1 Stamp duty

IDX:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll; and
- (b) indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in Victoria.
- (b) IDX irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. IDX irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.3 Waiver

- (a) IDX may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.

ANNEXURE 4 DEED POLL CONTINUED



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7 General

- (b) No Scheme Shareholder may rely on words or conduct of IDX as a waiver of any right unless the waiver is in writing and signed by IDX.
- (c) The meanings of the terms used in this clause 7.3 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this deed poll and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.4 Variation

A provision of this deed poll may not be varied by IDX unless:

- (a) if before the First Court Date, the variation is agreed to by Capitol; or
- (b) if on or after the First Court Date, the variation is agreed to by Capitol and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event IDX will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of IDX and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Assignment

- (a) The rights created by this deed poll are personal to IDX and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of IDX.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Further action

IDX must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.



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Signing page

Executed as a deed poll

Signed sealed and delivered by
Integral Diagnostics Limited
By

sign here ▶

Company Secretary/Director

print name

John Merity

sign here ▶

Director

print name

Ian Kadish

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ANNEXURE 5
NOTICE OF
SCHEME MEETING

ANNEXURE 5 NOTICE OF SCHEME MEETING

CAPITOL HEALTH LIMITED

ABN 84 117 391 812

Registered office: Level 2, 288 Victoria Parade, East Melbourne VIC 3002

NOTICE OF SCHEME MEETING

Notice is given that, by order of the Federal Court of Australia made on Tuesday, 24 September 2024 pursuant to section 411(1) of the Corporations Act a meeting of shareholders of Capitol Health Limited (**Capitol**) (**Scheme Meeting**) will be held:

Date: Thursday 31 October 2024

Time: 11:00 am

Venue: At the offices of Maddocks, Level 25, Tower 2, 727 Collins Street, Melbourne Victoria

Business of the Scheme Meeting

On 18 July 2024, Capitol announced that it had entered into a merger implementation deed (**MID**) with Integral Diagnostics Limited (**IDX**), under which it is proposed that IDX will acquire all the issued shares in Capitol (**Capitol Shares**) by way of a court approved scheme of arrangement (**Scheme**).

The purpose of the Scheme Meeting is for Capitol Shareholders to consider and, if thought fit, to agree to the Scheme (with any modifications, alterations or conditions required by the Court to which Capitol and IDX agree or any modifications, alterations or conditions agreed in writing by Capitol and IDX and approved by the Court).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part.

Unless otherwise defined, capitalised terms used in this notice have the same meaning as set out in the Glossary in Section 14 of the Scheme Booklet.

Scheme Resolution

The Scheme Meeting will be asked to consider and, if thought fit, to agree (with or without amendment) the following resolution:

"That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed to be entered into between Capitol Health Limited and the holders of its ordinary shares as contained in and more particularly described in the Scheme Booklet of which this Notice of Scheme Meeting forms part, is agreed to (with any modifications, alterations or conditions required by the Federal Court of Australia to which Capitol Health Limited and Integral Diagnostics Limited agree in writing or any modifications, alterations or conditions agreed in writing by Capitol Health Limited and Integral Diagnostics Limited and approved by the Federal Court of Australia), and, subject to approval of the Scheme by the Federal Court of Australia, the board of directors of Capitol Health Limited be authorised to implement the Scheme with any such modifications, alterations or conditions."

Chair of Scheme Meeting

The Court has also directed that Mr Andrew Demetriou act as chairperson of the Scheme Meeting or failing him Mr Richard Loveridge.

ANNEXURE 5 NOTICE OF SCHEME MEETING CONTINUED

Important note

The Chairperson intends to vote all undirected proxies which they receive in favour of the Scheme Resolution.

By order of the Court and the board of directors of Capitol Health Limited

Dated 24 September 2024



**Andrew Demetriou
Chairperson**

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CAPITOL HEALTH LIMITED

ABN 84 117 391 812

EXPLANATORY NOTES

These explanatory notes should be read in conjunction with the Notice of Scheme Meeting and the information in the Scheme Booklet (of which this Notice of Scheme Meeting forms part). The Scheme Booklet contains important information to assist you to decide how to vote at the Scheme Meeting.

Unless the context requires otherwise, terms used in the Notice of Scheme Meeting and in these explanatory notes have the same meaning as set out in Section 14 of the Scheme Booklet.

A copy of the Scheme is set out in Annexure 3 of the Scheme Booklet.

Meeting Format

The Scheme Meeting will be an in person only meeting to be held at 11:00am on Thursday 31 October 2024 at the offices of Maddocks, Level 25, Tower 2, 727 Collins Street, Melbourne Victoria.

Any changes to the Scheme Meeting will be communicated to Capitol Shareholders virtually via Capitol's ASX platform.

Capitol Shareholders who are unable to participate in the Scheme Meeting (or who choose not to) are strongly encouraged to submit a proxy form to the Capitol Registry as early as possible and in any event by no later than 11:00am on Tuesday, 29 October 2024 (being 48 hours before the Scheme Meeting) following the instructions set out below.

Entitlement to vote

The persons entitled to vote at the Scheme Meeting are those persons who are registered as Capitol Shareholders in the Capitol Share Register at 7.00 pm on Tuesday 29 October 2024.

How to vote

If you are eligible to vote at the Scheme Meeting, you may:

- attend and vote in person at the Scheme Meeting;
- appoint a proxy to attend and vote at the Scheme Meeting on your behalf;
- appoint an attorney to attend and vote at the Scheme Meeting on your behalf; or
- if you are a body corporate, appoint a corporate representative to attend and vote at the Scheme Meeting on your behalf.

All people attending the Scheme Meeting are asked to arrive at the Scheme Meeting venue at least 15 minutes prior to the start of the Scheme Meeting, so that either their shareholding can be checked against the Capitol Register, any power of attorney or form of appointment of corporate representative can be verified, or their attendance can be noted.

Voting in person

Capitol Shareholders and their authorised proxies, attorneys and corporate representatives who are attending in person may vote by poll.

ANNEXURE 5 NOTICE OF SCHEME MEETING CONTINUED

Voting by Proxy

A Capitol Shareholder entitled to attend and vote at the Scheme Meeting is entitled to appoint not more than two proxies. A proxy need not be a Capitol Shareholder and may be an individual or a body corporate. Each proxy will have the right to vote on the Scheme Resolution and also to speak and ask questions at the Scheme Meeting. The appointment may specify the proportion or number of votes the proxy may exercise.

If you are entitled to cast two or more votes, you may appoint two proxies and may specify the proportion or the number of votes each proxy may exercise. If the appointment does not specify the proportion or number of Capitol Shareholder votes each proxy may exercise, each proxy may exercise half of the votes.

If a proxy is not directed on how to vote on any item of business, the proxy may vote or abstain from voting, as the proxy thinks fit. If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the shareholder's behalf on the poll, and the Capitol Shares the subject of the proxy appointment will not be counted in determining the required majority.

Capitol Shareholders who appoint a proxy but do not nominate the identity of their proxy will be taken to have appointed the chairperson of the Scheme Meeting as their proxy to vote on their behalf. If a proxy form is lodged and the proxy form specifies the way the proxy is to vote on the Scheme Resolution, but the nominated proxy is either not recorded as attending the Scheme Meeting or does not vote on the Scheme Resolution, the chairperson of the Scheme Meeting will act in place of the nominated proxy and vote in accordance with the directions.

Proxy appointments in favour of (or which default to) the chairperson of the Scheme Meeting and which do not contain a direction as to how to vote will be voted in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Capitol Shareholders. An ASX announcement will be released if the chairperson changes their voting intention.

If you appoint a proxy, you may still attend the Scheme Meeting. Please note that if you appoint a proxy and attend the Scheme Meeting, your proxy's authority to vote will not be suspended while you are present. However, you may still vote on the Scheme Resolution at the Scheme Meeting. If you do so and your proxy also votes, your vote will be counted and your proxy's will not.

You must deliver the signed and completed proxy form in one of the following ways:

Online	at www.investorvote.com.au and follow the prompts
By mobile device	If you have a smart phone, you can lodge your proxy appointment via www.investorvote.com.au or by scanning the QR code on the Proxy Form. to scan the QR code, you will need a QR code READER application which can be downloaded for free on your mobile device
By post	Either via the reply-paid envelope included with your proxy or by sending the completed proxy form to Computershare Investor Services Pty Limited GPO Box 242 Melbourne Victoria 3001 Australia.
By hand	delivery (during normal business hours) to Capitol's Registry at Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067
By fax	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)

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The signed Proxy Form (and an original or certified copy of any power of attorney under which it has been signed, unless already provided) must be received by Capitol or the Capitol Registry by 11:00am on Tuesday, 29 October 2024 (being 48 hours before the Scheme Meeting), to be effective. Proxy Forms received later than this time will be invalid.

For further information on proxy voting, please refer to the Proxy Form.

Voting by attorney

Capitol Shareholders may appoint an attorney to attend and vote at the Scheme Meeting on their behalf.

Capitol Shareholders who wish to vote by attorney at the Scheme Meeting should, if they have not already presented an appropriate power of attorney to Capitol, deliver to the Capitol Registry or Capitol an original or certified copy of the power of attorney by no later than 11:00am on Tuesday, 29 October 2024 (being 48 hours before the commencement of the Scheme Meeting).

The appointment of a power of attorney does not preclude you from attending the Scheme Meeting in person and voting at the meeting.

Voting by Corporate Representative

A Capitol Shareholder or proxy which is a body corporate may appoint an individual to act as its representative to vote at the Scheme Meeting (**Corporate Representative**). The appointment must comply with section 250D of the Corporations Act. If a Corporate Representative of a Capitol Shareholder or proxy which is a body corporate is to attend the Scheme Meeting, the appropriate "Appointment of Corporate Representative" form will need to be produced prior to admission, along with an original or certified copy of any power of attorney under which it is signed. A form may be obtained from the Capitol Registry or online at www-au.computershare.com/Investor/#Home and select "Printable Forms" and provided to the Capitol Registry in the manner set out on the form.

Unless otherwise specified in the appointment, a Corporate Representative acting in accordance with their authority, until it is revoked by the body corporate Capitol Shareholder or proxy, is entitled to exercise the same powers on behalf of that body corporate as that body corporate could exercise at a meeting, or in voting on a resolution in its capacity as Capitol Shareholder or proxy.

Joint holders

In the case of Capitol Shares held by joint holders, only one of the joint holders is entitled to vote. If more than one Capitol Shareholder votes in respect of jointly held Capitol Shares, the vote of the holder named first in the Capitol Share Register, whether in person or by proxy, attorney or corporate representative, will be accepted to the exclusion of the votes of the other joint holders. If multiple Proxy Forms are received for a joint holding of Capitol Shares, the lattermost Proxy Form received will be accepted to the exclusion of the foregoing Proxy Forms.

Requisite Majorities

In order for the Scheme to become effective, the Scheme Resolution must be passed at the Scheme Meeting by:

- unless the Court orders otherwise, a majority of the number (more than 50%) of Capitol Shareholders present and voting (whether in person or by proxy, attorney or, in the case of corporate shareholders, a corporate representative) at the Scheme Meeting; and

ANNEXURE 5 NOTICE OF SCHEME MEETING CONTINUED

- at least 75% of the total number of votes cast on the resolution by Capitol Shareholders present and voting (whether in person or by proxy, attorney or, in the case of corporate shareholders, a corporate representative) at the Scheme Meeting, **(the Requisite Majorities)**.

The Court has the discretion under section 411(4)(a)(ii)(A) of the Corporations Act to approve the Scheme if it is approved by at least 75% of the votes cast on the resolution, but not by a majority in number of Capitol Shareholders (other than Capitol Shareholders who are ineligible to vote) present and voting at the Scheme Meeting.

Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without alteration or conditions) is subject to approval of the Court. If the Scheme Resolution is approved by the Requisite Majorities, and the relevant conditions precedent to the Scheme (other than approval by the Court) are satisfied, or waived, by the time required under the Scheme, Capitol intends to apply to the Court for the necessary orders to give effect to the Scheme.

How to ask questions?

Capitol Shareholders who would like to ask questions at the Scheme Meeting are encouraged to do so in writing before the Scheme Meeting by emailing their questions via the Capitol Registry's online investor portal or to capitol.health@automicgroup.com.au prior to 11:00am on Wednesday 30 October 2024 (being 24 hours before the Scheme Meeting). Please use the email subject "Scheme Meeting Question." As many of the emailed questions as possible will be addressed during the Scheme Meeting.

Alternatively, Capitol Shareholders will have an opportunity to ask questions at the Scheme Meeting in person at appropriate times during the Scheme Meeting. In the interests of all present, please confine your questions to matters before the Scheme Meeting that are relevant to Capitol Shareholders as a whole. Capitol staff will be available at the Shareholder Information desk in the foyer on the day of the meeting to discuss individual questions from Capitol Shareholders.

Further information for Capitol Shareholders

If you have any questions in relation to this Scheme Booklet or the Scheme you should contact the Capitol Shareholder information Line on 1300 441 601 (within Australia) or +61 3 9698 7164 (outside of Australia) between 8.30am and 7.00pm on Business Days.

CORPORATE DIRECTORY

Registered office and principal place of business

Capitol Health Limited

Level 2, 288 Victoria Parade
East Melbourne VIC 3002

Financial adviser

Citigroup Global Markets Australia Pty Limited

Level 16, 120 Collins Street
Melbourne VIC 3000

Legal adviser

Maddocks

Tower Two, Level 25, 727 Collins Street
Melbourne VIC 3008

Independent Expert

KPMG Financial Advisory Services (Australia) Pty Ltd

Tower Two, 727 Collins Street
Melbourne VIC 3008

Investigating Accountant

Ernst & Young Strategy and Transactions Limited

8 Exhibition Street
Melbourne VIC 3000

Tax adviser for the Scheme

Ernst & Young

8 Exhibition Street
Melbourne VIC 3000

Stock exchange listing

Capitol Shares are listed on the Australian Securities Exchange (ASX: Capitol)

Capitol website

<https://www.capitolhealth.com.au/>

Capitol investor website

<https://www.capitolhealth.com.au/investors/annual-general-meeting>

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