JAPARA

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ASX APPENDIX 4D
Half year report for the six months ended 31 December 2017

This Appendix 4D, together with the attached Interim Financial Report for the half year ended 31 December 2017 (**Interim Financial Report**), comprise the information required to be given to the ASX in accordance with Listing Rule 4.2A.

This Appendix 4D and the Interim Financial Report should be read in conjunction with the Company's most recent Annual Financial Report.

Reporting period
Reporting period: The half year ended 31 December 2017
Previous corresponding reporting period: The half year ended 31 December 2016

Results for announcement to the market

Financials	Increase/ Decrease	31 Dec 2017 $'000	31 Dec 2016 $'000	Change %
Revenue from ordinary activities	Increase	180,595	177,093	2.0
Profit from ordinary activities after tax attributable to members	Decrease	10,279	14,633	29.8
Net profit for the period attributable to members	Decrease	10,279	14,633	29.8

For an explanation of the figures reported above refer to the Directors' Report included within the Interim Financial Report.

Dividends	Amount per share (cents)	Franked amount per share at 30% tax rate (cents)	Payment Date	Record Date
2018 interim dividend	4.00	2.60	30/04/18	28/03/18
2017 final dividend	5.75	4.025	30/10/17	29/09/17

The 2018 interim dividend is franked to 65%. The 2017 final dividend was franked to 70%.

The Company has a dividend reinvestment plan (**DRP**) which will operate in respect of the 2018 interim dividend. No discount will be applied when determining the price at which shares will be issued under the DRP for this dividend. The last date and time for receipt of an election notice to participate in the DRP for the 2018 interim dividend is 29 March 2018 at 5.00pm (AEDT).

Net tangible assets per security
Net tangible assets per ordinary share as at 31 December 2017: 25.5 cents (2016: 26.0 cents).

Entities over which control has been gained or lost during the period
No entities were acquired or sold during the period.

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Consolidated Interim Financial Report

For the Half Year Ended 31 December 2017

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Contents

For the Half Year Ended 31 December 2017

Directors' Report

For the Half Year Ended 31 December 2017

The directors present their report together with the condensed consolidated interim financial statements of Japara Healthcare Limited (the "Company") and its controlled entities (the "Group") for the half year ended 31 December 2017 ("Interim Financial Report").

1. Directors

The names of each person who has been a director during the half year and to the date of this report are:

Linda Bardo Nicholls AO - Non-Executive Chairman
Andrew Sudholz - Managing Director and CEO
Richard England - Non-Executive Director
David Blight - Non-Executive Director
JoAnne Stephenson - Non-Executive Director

2. Operating results and review of operations for the half year

A summary of the Group's statutory revenue and earnings for the half year ended 31 December 2017 is set out below:

	2017	**2016**
	$'000	**$'000**
Revenue and other income	**182,507**	178,501
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**24,264**	29,055
Earnings before interest and tax (EBIT)	**16,503**	22,335
Profit attributable to members of the parent entity	**10,279**	14,633

Financial highlights

Total revenue and other income for the half year of $182,507,000 was up by $4,006,000 on the prior comparative period. Revenue was negatively impacted by Federal Government funding cuts, a freeze on ACFI indexation and occupancy pressure due to the severe influenza outbreaks experienced across Australia. Overall revenue growth was achieved from an increase in operational places through the Group's developments program.

EBITDA decreased to $24,264,000 for the half year, down $4,791,000 on the prior comparative period. This decline was due primarily to the aforementioned factors combined with higher wage costs, greenfield start up costs at the newly opened Riverside Views home and redundancy costs associated with a roster optimisation program.

EBIT and profit attributable to members of the parent entity were $16,503,000 and $10,279,000 respectively, both down on the prior comparative period due to an increase in depreciation and financing costs required to fund growth and the lower EBITDA.

The Group continued to deliver on its primary objective of providing high quality care for its residents. It maintained its 100% accreditation record during the half year.

The Group also continued to deliver on its development strategy during the half year which will provide a significant uplift in new places to cater for the growing demand from Australia's ageing population.

Towards the end of the reporting period the Group completed the significant refurbishment at its Noosa home in Queensland. The Group has also completed the greenfield project, Riverside Views, located near Launceston, Tasmania (88 places).

During the half year the Group settled on land in Brighton (South Australia) and Highton (Victoria) for total combined consideration of $4,800,000 (plus acquisition costs). The sites will be developed to add a further circa 165 resident places to the Group's existing portfolio.

The Group remains on track to deliver new places in line with its brownfield and greenfield programs.

Capital management

The Group's principal sources of funds continue to be cash flows from operations and Refundable Accommodation Deposits (RADs), $35,078,000 (2016: $37,393,0000) and $25,853,000 (2016: $28,963,000) (net of inflows and outflows) respectively. These are the Group's current principal sources of funds outside of bank borrowings.

During the half year, the Group maintained a Syndicated Facility Agreement and Multi-Option Facility Agreement with NAB, CBA and ANZ for a total facility of $220,000,000. The facility allows the Group to draw funds as and when required to assist with construction funding of brownfield and greenfield development; acquisitions, as as well as funding for other corporate purposes.

During the half year debt of $33,000,000 was drawn down and $8,000,000 was repaid. A total of $86,000,000 (2016: $71,000,000) was drawn down against the facility as at the reporting date. Cash held at the reporting date was $61,616,000 (2016: $63,227,000); this includes $20,700,000 (FY16: $20,500,000) relating to January 2018 Government funding received in December 2017. Subsequent to this date, a further net $500,000 of debt has been repaid.

3. Events after the reporting date

Acquisition of greenfield development sites

On 31 January 2018, the Group settled on land in Lysterfield (Victoria) for consideration of $3,280,000 (plus acquisition costs). The site will be developed to add a further circa 92 resident places to the Group's existing portfolio.

No other matters or circumstances other than those disclosed elsewhere in the Interim Financial Report, have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' Report

For the Half Year Ended 31 December 2017

4. Dividends

A final dividend for the year ended 30 June 2017 of 5.75 cents per share, franked to 70%, was paid on 30 October 2017. The final dividend amount of $15,268,000 was paid partly in cash and partly in shares under the Group's Dividend Reinvestment Plan.

An interim dividend for the half year ended 31 December 2017 of 4.00 cents per share, franked to 65%, has been determined and is payable on 30 April 2018. The potential interim dividend amount of $10,631,000 is based on the number of shares on issue at the date of this report. This amount has not been recognised in the Interim Financial Report as it was determined subsequent to the half year end.

5. Lead auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2017 has been received. A copy of this declaration can be found on page 4 of the Interim Financial Report and forms part of this report.

6. ASIC Corporations Instrument 2016/191 - Rounding of amounts

The Company is a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016 and, accordingly, amounts in the Interim Financial Report and the Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

This report is signed in accordance with a resolution of the Board of Directors.

Director: ....
Linda Bardo Nicholls AO - Chairman

Director: ....
Andrew Sudholz - Managing Director and CEO

Signed and dated at Melbourne on 26 February 2018

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Japara Healthcare Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2017 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Darren Scammell

KPMG

Darren Scammell

Partner

Melbourne, Australia

26 February 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2017

	31 December 2017 $'000	31 December 2016 $'000
Revenue	**180,595**	177,093
Other income	**1,912**	1,408
Total revenue and other income	**182,507**	178,501
Employee benefits expense	**(128,457)**	(121,262)
Resident costs	**(15,123)**	(14,069)
Occupancy costs	**(9,755)**	(8,398)
Depreciation and amortisation expense	**(7,761)**	(6,720)
Administrative expenses	**(4,908)**	(5,717)
Earnings before interest and tax	**16,503**	22,335
Finance income	**369**	314
Finance costs	**(2,114)**	(1,903)
Profit before income tax	**14,758**	20,746
Income tax expense	**(4,479)**	(6,113)
Profit from continuing operations	**10,279**	14,633
Other comprehensive income, net of tax	**-**	-
Total comprehensive income for the half year	**10,279**	14,633
Profit attributable to:		
Members of the parent entity	**10,279**	14,633
Total comprehensive income attributable to:		
Members of the parent entity	**10,279**	14,633
Earnings per share		
Basic earnings per share (cents)	**3.9**	5.5
Diluted earnings per share (cents)	**3.9**	5.5

The accompanying notes form part of these financial statements.

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	31 December 2017 $'000	30 June 2017 $'000
ASSETS			
CURRENT ASSETS			
Cash		**61,616**	41,376
Trade and other receivables		**8,421**	15,838
Current tax receivable		**3,828**	1,162
Other assets		**8,614**	6,081
TOTAL CURRENT ASSETS		**82,479**	64,457
NON-CURRENT ASSETS			
Trade and other receivables		**1,857**	2,222
Inventories		**-**	3,045
Non-current assets held for sale		**1,313**	1,477
Property, plant and equipment	5	**585,881**	541,776
Investment property		**38,372**	32,972
Deferred tax assets		**3,914**	6,161
Intangible assets and goodwill	6	**463,458**	463,458
TOTAL NON-CURRENT ASSETS		**1,094,795**	1,051,111
TOTAL ASSETS		**1,177,274**	1,115,568
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**38,803**	18,876
Other liabilities		**7,667**	11,541
Loans and borrowings	8	**12,000**	4,600
Other financial liabilities	7	**478,461**	453,103
Short-term provisions		**31,237**	31,338
TOTAL CURRENT LIABILITIES		**568,168**	519,458
NON-CURRENT LIABILITIES			
Loans and borrowings	8	**74,000**	56,400
Long-term provisions		**3,990**	3,996
TOTAL NON-CURRENT LIABILITIES		**77,990**	60,396
TOTAL LIABILITIES		**646,158**	579,854
NET ASSETS		**531,116**	535,714
EQUITY			
Issued capital		**522,719**	522,328
Retained earnings		**8,397**	13,386
TOTAL EQUITY		**531,116**	535,714

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2017

	Issued capital	Retained earnings	Total
	$'000	$'000	$'000
Balance at 1 July 2017	**522,328**	**13,386**	**535,714**
Comprehensive income			
Profit attributable to members of the group	**-**	**10,279**	**10,279**
Total comprehensive income	**-**	**10,279**	**10,279**
Transactions with owners of the company			
Shares issued net of raising costs	**391**	**-**	**391**
Dividends	**-**	**(15,268)**	**(15,268)**
Total transactions with owners of the company	**391**	**(15,268)**	**(14,877)**
Balance at 31 December 2017	**522,719**	**8,397**	**531,116**

	Issued capital	Retained earnings	Total
	$'000	$'000	$'000
Balance at 1 July 2016	518,732	13,573	532,305
Comprehensive income			
Profit attributable to members of the group	-	14,633	14,633
Total comprehensive income	-	14,633	14,633
Transactions with owners of the company			
Shares issued net of raising costs	2,764	-	2,764
Dividends	-	(15,162)	(15,162)
Equity settled share-based payment	-	(112)	(112)
Total transactions with owners of the company	2,764	(15,274)	(12,510)
Balance at 31 December 2016	521,496	12,932	534,428

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2017

	31 December 2017 $'000	31 December 2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	**200,294**	194,175
Payments to suppliers and employees	**(158,706)**	(150,365)
Income taxes paid	**(4,900)**	(5,720)
Interest received	**361**	309
Finance costs paid	**(1,971)**	(1,006)
Net cash provided by operating activities	**35,078**	37,393
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land & buildings	**(14,828)**	(5,053)
Proceeds from sale of land & buildings	**207**	82
Purchase of plant and equipment	**(4,659)**	(3,878)
Capital works in progress	**(31,536)**	(17,957)
Net cash used in investing activities	**(50,816)**	(26,806)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital under DRP	**394**	2,770
Dividends paid	**(15,268)**	(15,161)
Net proceeds from bank borrowings	**25,000**	11,500
Proceeds from RADs/accommodation bonds & ILU resident loans	**101,690**	90,329
Repayment of RADs/accommodation bonds & ILU resident loans	**(75,838)**	(61,366)
Net cash provided by financing activities	**35,978**	28,072
Net increase in cash and cash equivalents held	**20,240**	38,659
Cash and cash equivalents at beginning of the half year	**41,376**	24,568
Cash and cash equivalents at end of the half year	**61,616**	63,227

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Half Year Ended 31 December 2017

Note 1 Reporting entity

Japara Healthcare Limited (the "Company") is a company domiciled in Australia. These condensed consolidated interim financial statements ("interim financial report") as at and for the six months ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The principal activity of the Group during the reporting period was that of owner, operator and developer of aged care facilities.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2017 are available upon request from the Company's registered office at Q1 Building, Level 4, 1 Southbank Boulevard, Southbank VIC 3006 or in the investor section of the Company's website at www.japara.com.au.

Note 2 Basis of preparation

This interim financial report is a general purpose report and has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest financial results and position of the Group. As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This interim financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this interim financial report be read in conjunction with the consolidated annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the half year and up to the date of this interim financial report in accordance with the continuous disclosure obligations of the ASX listing rules.

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016 and, accordingly, amounts in the Interim Financial Report and the Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

This interim financial report was approved by the Board of Directors on 26 February 2018.

Note 3 Use of estimates and judgements

In preparing this interim financial report, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key estimates were the same as those that applied to the consolidated annual financial statements as at and for the year ended 30 June 2017.

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Chief Financial Officer has overall responsibility for overseeing all significant fair value measurements, including Level 3 measurements where applicable.

Note 3 Use of estimates and judgements (continued)

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of International Financial Reporting Standards ("IFRS"), including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit, Risk & Compliance Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data where possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Note 4 Segment reporting

The Group operates predominantly in one business and geographical segment being the provision of residential aged care services throughout Australia. Segment information reported to key management personnel is substantially similar to information provided in this interim financial report.

Notes to the Financial Statements

For the Half Year Ended 31 December 2017

Note 5 Property, plant and equipment

Consolidated	Land and buildings $'000	Property improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Capital works in progress $'000	Total $'000
Half year ended 31 December 2017						
Balance at the beginning of the half year	**474,662**	**6,139**	**28,618**	**92**	**32,265**	**541,776**
Additions	**16,097**	**120**	**4,539**	**-**	**31,748**	**52,504**
Transfers from capital works in progress	**24,689**	**-**	**-**	**-**	**(24,689)**	**-**
Transfers to investment property	**(561)**	**-**	**-**	**-**	**(77)**	**(638)**
Depreciation expense	**(4,570)**	**(211)**	**(2,965)**	**(15)**	**-**	**(7,761)**
Balance as at 31 December 2017	**510,317**	**6,048**	**30,192**	**77**	**39,247**	**585,881**

Consolidated	Land and buildings $'000	Property improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Capital works in progress $'000	Total $'000
Year ended 30 June 2017						
Balance at the beginning of year	441,791	6,261	21,048	92	43,867	513,059
Additions	6,855	294	6,053	42	37,293	50,537
Disposals - written down value	(4,516)	(4)	-	-	-	(4,520)
Transfers from capital works in progress	41,273	-	6,605	-	(47,878)	-
Transfers to inventories	(2,028)	-	-	-	(1,017)	(3,045)
Depreciation expense	(8,713)	(412)	(5,088)	(42)	-	(14,255)
Balance as at 30 June 2017	474,662	6,139	28,618	92	32,265	541,776

Notes to the Financial Statements

For the Half Year Ended 31 December 2017

Note 6 Intangible assets and goodwill

	Goodwill $'000	Resident places $'000	Total $'000
Half year ended 31 December 2017			
Balance as at 1 July 2017	**260,746**	**202,712**	**463,458**
Additions	**-**	**-**	**-**
Balance as at 31 December 2017	**260,746**	**202,712**	**463,458**
Year ended 30 June 2017			
Balance as at 1 July 2016	260,746	204,806	465,552
Additions	-	216	216
Disposals	-	(2,310)	(2,310)
Balance as at 30 June 2017	260,746	202,712	463,458

Note 7 Other financial liabilities

	Note	31 December 2017 $'000	30 June 2017 $'000
CURRENT			
Refundable Accommodation Deposits (RADs)/accommodation bonds	7(a)	**457,880**	430,712
Independent Living Unit (ILU) resident loans	7(b)	**20,581**	22,391
		478,461	453,103

(a) RADs/accommodation bonds

RADs/accommodation bonds are non-interest bearing deposits made by some aged care facility residents to the Group upon admission. These deposits are liabilites which fall due and payable when a resident leaves the facility. As there is no unconditional right to defer payment for 12 months, these liabilities are recorded as current liabilities.

RAD/accommodation bond liabilities are recorded at an amount equal to the proceeds received, net of retention and any other amounts deducted from the RAD/accommodation bond in accordance with the *Aged Care Act 1997*.

The Group has provided each resident that has entered into a RAD/accommodation bond agreement with the Group and/or paid a RAD/accommodation bond to the Group with a written guarantee of future refund of the RAD/accommodation bond balance in accordance with the RAD/accommodation bond agreement and in compliance with the prudential requirements set out under the *Aged Care Act 1997*.

Note 7 Other financial liabilities (continued)

(b) ILU resident loans

ILU (independent living unit) resident loans are non-interest bearing loans made by ILU residents to the Group upon entering into a loan/licence agreement to occupy an independent living unit or apartment operated by the Group.

ILU resident loans are liabilites which fall due and payable when a resident leaves the unit. They are held at fair value in the financial statements and as there is no unconditional right to defer payment for 12 months, these liabilities are recorded as current.

Note 8 Borrowings

		31 December 2017 $'000	30 June 2017 $'000
CURRENT			
Bank loan	8(a)	**12,000**	4,600
		12,000	4,600
NON-CURRENT			
Bank loan	8(a)	**74,000**	56,400
Total non-current borrowings		**74,000**	56,400
Total borrowings		**86,000**	61,000

(a) Bank loan facilities

Syndicated Facility Agreement

The Group maintained a Syndicated Facility Agreement and Multi-Option Facility Agreement with NAB, CBA and ANZ for a total facility of $220,000,000. The facility allows the Group to draw funds as and when required to assist with construction funding of brownfield and greenfield developments; acquisitions, as well as funding for other corporate purposes.

During the half year debt of $33,000,000 was drawn down and $8,000,000 was repaid. A total of $86,000,000 (2016: $71,000,000) was drawn down against the facility as at the reporting date. Subsequent to this date, a further net $500,000 has been repaid.

Note 9 Commitments

As at the reporting date, the Group had entered into contracts relating to capital expenditure and is commited to incur:

- $40,078,000 in relation to various construction contracts expected to be completed over the course of the next two financial years; and

- $8,825,000 in relation to land purchases expected to complete in FY18.

Note 10 Events occurring after the reporting date

On 31 January 2018, the Group settled on land in Lysterfield, Victoria for consideration of $3,280,000 (plus acquisition costs). The site will be developed to add a further circa 92 resident places to the Group's existing portfolio.

No other matters or circumstances other than those disclosed elsewhere in this interim financial report, have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Note 11 Contingencies

The Group receives Capital Refurbishment Deductions ("CRDs") from aged care residents in accordance with the terms of their written resident agreements. CRDs, with the residents' written permission, are deducted from their RADs.

In September 2016 the Commonwealth Department of Health ("the Department") issued guidance in relation to fees and charges that may be charged to residents under the Aged Care Act 1997 ("the Act"). The Department indicated that CRDs and similar fees may not be supported by the Act under certain circumstances and that residential aged care providers should seek their own independent advice. The Group has received external legal advice on its CRDs and in accordance with this advice, maintains that its CRDs are supported by the Act.

In April 2017, another residential aged care provider advised that it had applied to the Federal Court for a declaration as to the interpretation of the Act regarding its capital refurbishment type fee. Whilst the Group understands that its CRDs are determined on a different basis, it acknowledges that should the Federal Court declare that these types of fees are not supported by the Act, the Group may need to review its position on CRDs. This may include ceasing to deduct CRDs and refunding CRDs previously deducted. Any Federal Court declaration is uncertain, including as to timing, the interpretation of the Act and its applicability to the Group. While the Group may have a possible future requirement to refund CRDs previously deducted, significant uncertainty exists. The Directors have therefore made no provision at 31 December 2017 for refunding CRDs but have disclosed the matter as a contingent liability. As at 31 December 2017, the cumulative amount of CRDs recorded as revenue since commencement is $4,244,000. Revenue recognised in the 6 months to 31 December 2017 amounted to $1,424,000 (2016: $773,000).

Note 12 New accounting standards for application in future periods

A number of new standards and amendments to the standards are effective for annual periods beginning after 1 July 2017 (unless otherwise stated). The Group has considered the impact of these changes and their application in the preparation of these consolidated financial statements.

New/ amended standards	Summary of requirements	Possible impact on consolidated statements
AASB 15 - Revenue from contracts with customers	AASB 15 (effective on or after 1 January 2018) introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. Accounting policy changes will arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element. AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.	The Group has considered the impact of AASB 15 on the consolidated financial statements and determined that it will not have a material impact on the results.
AASB 16 - Leases	AASB 16 (effective on or after 1 January 2019) reforms are to be implemented around the change in accounting for leases whereby operating leases will be recorded on the balance sheet, where historically the expense relating to them have only been recognised in the Statement of Profit or Loss and Other Comprehensive Income. There is an oportunity to early adopt on the proviso that the entity has also early adopted the changes associated with AASB 15.	The Group is in the process of considering the impact on the consolidated financial statements. The Group has chosen not to early adopt.
AASB 9 - Financial Instruments	In AASB 9 (December 2010), the AASB added requirements for the classification and measurement of financial liabilities that are generally consistent with the equivalent requirements in AASB 139 except in respect of the fair value option; and certain derivatives linked to unquoted equity instruments. The AASB also added the requirements in AASB 139 in relation to the derecognition of financial assets and financial liabilities to AASB 9. AASB 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets; amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance on hedge accounting in AASB 139 on impairment of financial assets continues to apply as long as hedge accounting provisions in AASB 2013-9 are not applied.	The Group has considered the impact of AASB 9 on the consolidated financial statements and determined that it will not have a material impact on the results. The Group has not chosen to early adpot.

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 15 are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

   (b) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director:	Director: ....
Linda Bardo Nicholls AO - Chairman	Andrew Sudholz - Managing Director and CEO

Signed and dated at Melbourne on 26 February 2018

Independent Auditor's Review Report

To the shareholders of Japara Healthcare Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Japara Healthcare Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Japara Healthcare Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2017 and of its performance for ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises the:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- Directors' Declaration.

The ***Group*** comprises Japara Healthcare Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the 6 months ended on 31 December 2017.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Japara Healthcare Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Darren Scammell

Partner

Melbourne, Australia

26 February 2018